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East Asia

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Japan

Tokyo Urged To Lead in Asia-Pacific Security

OW3007033192 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Jul 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Editorial: "Concept of New Security System in Asia-Pacific Region"]

[Text] In his last years, the late former Prime Minister Shigeru Yoshida, who signed the Japan-U.S. Security Treaty, was asked by journalists: "Is there a future for the treaty?" In response, Mr. Yoshida said: "A treaty is no more than a piece of paper. I signed the security treaty because I thought it was the best thing to do at the moment. The future of the treaty will be decided by future generations."

Japan set forth the existence of the cold war as a major premise for it to promote its foreign policies, including its diplomacy and defense plans. The Japanese defense system, which is based on the Japan-U.S. Security Treaty, was established with the impression that socialist nations, especially the former Soviet Union, were potential enemies. Its diplomatic policies were worked out and implemented with the intentions of the United States—one of leaders of the Pax Russo-Americana—as a given condition.

It has been 40 years since the security treaty took effect, during which the cold war ended and the Soviet Union disappeared. Although it is said that a U.S. unipolar system has been established in the military field, U.S. military power has become very weak. As seen in its withdrawal from the Philippines, the United States seems to be gradually reducing its military presence in the Asia-Pacific area.

The Japan-U.S. Security Treaty has to be maintained. To do so, it is necessary that we find a new meaning in the treaty. Moreover, we have to think about what Japan, now an economic superpower, can do for security in the Asia-Pacific region. It is time for Japan to establish a framework for security. Whether the framework will be good or bad will be judged by future generations.

In the post-cold war era, Japan, will have to watch what is going on or what is about to happen in the Asia-Pacific region, without depending on the United States.

There Are Still Many Seeds of Conflict

There are various races, religions, and economic development stages in the Asia-Pacific region. While having yielded dynamism in the region, this diversity has become seeds of conflict and confrontation between nations, between nations and ethnic groups, and between ethnic groups. At a recent foreign ministers meeting of ASEAN, the issue of territorial rights over the Spratly Islands in the South China Sea was discussed because China, Vietnam, the Philippines, Malaysia, and Brunei are disputing title to the islands. On the Indochinese peninsula, the Cambodian civil war has hardly ended. Also, on the Korean peninsula, North and South Korea still confront each other. Moreover, Japan has not yet concluded a peace treaty with Russia.

It is ironic, but because of the end of the cold war, the Asia-Pacific region seems to be more insecure. It is said that China is now taking a strong line on the Spratly Islands issue because the Soviet Union, which had backed Vietnam, has been ruined. In the wake of the withdrawal of U.S. Forces from the Philippines, all Asian countries have increased their military budgets.

While seeds of various conflicts have been spread over the Asia-Pacific region, a wish to avert confusion has become stronger than ever. Asia extricated itself from the poverty called "Asian stagnation," and some newly industrializing economies (NIE's) now exceed Spain and Ireland in per capita gross national product (GNP). The economy in the Asia-Pacific region is now on the rise.

Economic mutual dependence has also increased in the region. The trade volume within NIE's or ASEAN is larger than that with countries outside the region. Japan's share of trade with other Asian countries has also increased. The region has achieved the highest economic growth rate in the world; if the region becomes politically stable and develops economic growth satisfactorily, it will make a great contribution to the world economy. This is why the framework of security for the Asia-Pacific region is being urged.

Functions of international security systems include: 1) deterring conflicts; 2) settling conflicts with such measures as military intervention and economic sanctions; 3) promoting peacekeeping activities through cease-fire monitoring, disarming forces, and other measures. These functions are currently fulfilled by multinational military alliances and by the United Nations, an international body.

With the enactment of the UN Peacekeeping Operations (PKO) Cooperation Law, Japan is now able to participate in UN security systems, although participation is limited. Japan is scheduled to send personnel and equipment to Cambodia. Contributing to the United Nations will result in ensuring security in the Asia-Pacific area.

Political Dialogue Urged

Besides the functions of deterring and settling conflicts, and promoting peacekeeping activities, other security measures should be worked out: Measures to prevent economic stagnation, a population increase, and worsening environment—which are seeds of conflict; measures to provide economic and technical aid while promoting disarmament and denuclearization; and measures to establish a democratic system to prevent specific leaders from trying to invade other nations. These measures will work to prevent conflicts.

It is more important to hold a dialogue to exchange views so each nation will have a common understanding of the Asia-Pacific situation. It is desirable that through dialogue, each nation will be able to share the same sense

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of values. It is more desirable if they realize that each nation is important to others.

The expanded conference of ASEAN foreign ministers and the Asia-Pacific Economic Cooperation (APEC) meeting are expected to be where nations in the Asia-Pacific region can communicate with each other. At a meeting ending on 26 July, the conference strengthened its voice over political issues. Also, APEC, which has recently decided to set up a permanent administrative office, has pushed projects through its 10 working panels concerning promotion of trade and energy cooperation within the region.

During his recent visit to the United States, Prime Minister Kiichi Miyazawa said in his speech at the National Press Club that the expanded conference of ASEAN foreign ministers and the APEC meeting should be places for political dialogue. For Miyazawa, who attended a signing ceremony of the San Francisco peace treaty as a secretary to the late Finance Minister Hayato Ikeda, the termination of the cold war must have a grave meaning. We expect Prime Minister Miyazawa to take the initiative for Asian security, to make efforts to increase APEC membership by letting Russia join the organization, and to propose APEC summit talks.

National Role in New World Order Examined

922A0295A Tokyo BOEKI TO KANZEI in Japanese May 92 pp 10-22—FOR OFFICIAL USE ONLY

[From a speech given on 31 March at the meeting of the managing directors of the Japan Tariff Association, by JIJI PRESS commentator Tetsuya Ozeki: "Japan's Position and the New World Order"]

[Text] **Speed of Collapse of Soviet Union Faster Than Foreseen**

The Soviet Union ceased to exist in both name and fact on 26 December last year, and the new world order spoken about by Mr. Bush was supposed to have appeared. However, the substance of this new world order cannot be seen very well. Mr. Bush first used the expression "new world order (NWO)" on 2 and 3 December 1989 in Malta in talks with then Soviet Union Secretary Gorbachev, when, after proclaiming the end of the cold war he declared loudly, "The world will enter a new era in 1990. From today on we can have a new world order." However, recently Mr. Bush has stopped using the NWO expression for some reason. First, let me try to explain starting with that fact.

Why has he stopped using the expression NWO? The reason is that Mr. Bush himself has lost sight of it. At the present, when the Soviet Union can no longer stand the threat of the free world camp either politically nor militarily, a one-class hegemony has been created in the world, with the United States at the pinnacle, and a "Pax Americana" will probably come to be. However, if we say this in a straightforward manner, it is thought that Mr. Bush is of the belief like that exposed in February of this year in the strategic planning policy of the Pentagon (U.S. Department of Defense) that, because there was a danger that this would cause a big stir, they could conceal it in some number of operations centered on the United Nations, and through that framework the United States could have a hegemony with itself at the top.

He himself does not express such a structure clearly, but if you ask many of the scholars and high-level bureaucrats around him, it seems that the idea of a unipolar U.S. world was at the root. However, that idea was flawed from the start. First of all, the pace of the process of the collapse of the Soviet Union was far faster than what Mr. Bush was thinking. In the last half of 1989, the six nations of Eastern Europe all cast aside the Soviet Union model of one-party rule by the Communist Party, and, at the end of that year, the end of the cold war between the Soviet Union and the United States was proclaimed. Put even more bluntly, the Soviet Union was defeated. Since then, in a mere year and a half, the Communist Party in the Soviet Union was destroyed, and before two years were out, even the Soviet Union itself was dissolved. It seems Mr. Bush never thought it would go so far as that.

After the coup d'etat of August, the Soviet Communist Party was dissolved and in a special broadcast at 11:30 pm on the evening of 24 August Mr. Gorbachev himself proclaimed the dissolution of the Communist Party. It is believed that Mr. Bush understood that much, but the new world order that he had in his mind was based on creating a structure that had the United States at the top, followed by a meeker Soviet Union which had lost its power, and on the idea that he could rally the other nations with similar power, for example the force and vigor of China, the EC, and Japan, and create an order. He had a problem if the Soviet Union did not remain together.

Therefore, until a point last fall, to be more specific, I think that until 8 December of last year, Mr. Bush did not think the Soviet Union as a federation would cease to exist completely. He made a big mistake on that. That is, his idea rested, as it had formerly, on the balance of power.

Why did he go so far off? The reason is probably the result of failing to recognize all kinds of vital elements that were at work internally in the Soviet Union such as political demands, the economic situation, and ethnicism.

Mr. Gorbachev proposed a new Commonwealth treaty in order to maintain a federated system. The coup d'etat occurred on 19 August, the day before this was to be signed. The coup was short-lived, but the fear of the breakup of the Soviet Union was great, and the treaty was revised a number of times and it was to have been signed in December; and what was supposed to have begun at the end of last year was an inoffensive new Soviet Union without communism.

Regions, Not Center, Play Main Role

What put an end to this Soviet federation was Ukraine. The result of a people's election on 1 December was an overwhelming vote for support for complete independence.

Why did Ukraine abandon the union and choose the path of complete independence? That is where our vision failed us the most. Ordinarily we can only see international relations in terms of center versus center. If you talk about U.S.-Japan relations, it is the relationship of Tokyo and Washington, or in the case of Japan and the former Soviet Union, of Moscow and Tokyo, and in the United States and the Soviet Union, we see Washington and Moscow.

When the age changes, things are not decided at the center. With the Meiji Restoration example, it was the localities that changed things. Why did Ukraine cast aside the union? The answer appears quickly if you look at what the Soviet Union was for Ukraine.

Ukraine has a population of 52 million. Its territorial area roughly compares with that of Great Britain and France combined. It is an extremely rich grain region and has been called "the breadbasket of Europe" since times long past.

Exactly 60 years earlier, in the 1930's, in that fertile grain belt a terrible famine occurred and great numbers of people died. Why did such a thing happen? Accompanying Stalin's agricultural collectivization policy, farmlands were forcibly expropriated. The farmers who thought they had become owner-cultivators naturally opposed this. Stalin had them executed by petty officials as anti-Soviet elements. It was a purge. The voices of discontent were crushed through this purge, but the Ukrainian independence movement has continued uninterrupted, even during the war, until the achievement of independence this time. It comes out in the introduction to William Forsythe's *Devil's Alternative*, but that was the reality of the Ukrainian independence movement.

On the other hand, agricultural production dropped sharply. Naturally. They had farmed the fields up to that point thinking they belonged to themselves, and then suddenly they were nationalized or collectivized and they became hired workers and were made into working government civil servants. In the final analysis they returned to being serfs as they were in the past. There was no will to work. Production capability dropped. They could not meet their quotas.

Next, the Communist Party committee came along and forcefully took their grain. Depending on the village, what was supposed to have been seed grain for the following year's planting was taken, and in the end food was gone and the famine began. They say the peak was from 1932 to 1933. Those who were born about that time are now in their fifties and sixties, and are in the prime of their lives.

Thus, due to this domestic purge, 2 million people were killed, and with the famine that began after that, more than 5 million people died in the Ukraine grain region. At least 7 million people were victims. So says Mr. Kravchuk, who has become the president. In an interview in STERN, he was asked "why have you chosen independence," and he said, "I read the KGB secret documents and learned that in the era of the famine in the 1930's, due to Stalin's oppression and the famine, more than 7 million Ukrainians died. I decided that we could not stop with that kind of federation." That is probably a lie.

He is supposed to have known that information long before this. That is because he was first secretary of the Ukrainian SSR, and was an executive of the Communist Party of the Soviet Union. Said directly, it was probably a self-preservation policy. However, if he did not represent the feelings of the people, a government-selected governor could not have become president. As you might expect, for Ukrainians, the Soviet Union was ruthless like that, and they wanted it to disappear.

Thus, a once-in-a-lifetime chance appeared. By their own will the Ukrainians were asked if they wanted to support a federated system or whether they wanted complete independence, and by an overwhelming majority of more than 90 percent, it was probably natural that they chose complete independence, no matter what the hardship.

Byelarus was the same. Its population is 10 million. Someone who was in the independence movement in the White Russian era whom I met in Tallinn told me that with the famine and the domestic purge, 20 percent, amounting to 2 million people, perished. There was a victim in every family. That is the reason that, at the three-nation Russia-Byelarus-Ukraine summit meeting that opened on 8 December in the suburbs of Minsk, Mr. Yeltsin, who had hitherto generally supported the new federation treaty handed down his decision, "When you think about it, it is as you say. It is understandable. I have already given up on the treaty and let us move on as supporting mutual independence."

Last 8 December we were all looking mainly at the eastern Pacific, but history was changed far to the West, at Minsk.

That movement continued after that. And so the intention that the reformed Soviet Union, a new Soviet Union, would be the bearer of the new world order was completely destroyed. What remained was only Russia. Therefore, Russia occupies the seat of a permanent member of the UN Security Council.

In that way, the United States was saying that all the nuclear weapons should be concentrated in the hands of Russia, but Ukraine and Byelarus, which had held nuclear weapons until then, and countries where they were currently deployed were naturally opposed to this. They were already different nations. Even though the nations on one's border held nuclear weapons, one's own country did not. Therefore, you too would arm yourself with nuclear weapons.

Mr. Kravchuk did not make that choice. In the people's election they chose to become a nonnuclear nation. In order to become one, rather than taking them to Russia and then having them disposed of, they wanted to dispose of them themselves. Since there was also the now unused Chernobyl reactor, it was probably very logical that they proposed to build a nuclear weapons disposal plant there through the help of the advanced Western nations, including of course, Japan.

That is, they did not recognize the hegemony of Russia. But, in spite of that, Mr. Bush's idea was that Russia would mainly, as before, continue to have the military power, and the right to speak. This was the first contradiction.

Mistakes in U.S. Strategy in Gulf War

What was the second contradiction? It has been more than a year since the end of the Gulf war, but to what degree has the situation changed? When I reread what I said last year in this same position, I was wrong in one place. It was about the end of February of last year that I said, "Saddam Husayn will probably have to give up power within about three months, by the summer," but Saddam is still going strong. Here, I apologize for my lack of ability.

Bush also made that judgment. Since he probably thought if he tied him up as much as he had, and if he continued the economic sanctions, then there would only be death by the roadside for Saddam, and he slackened the military attack tactic. The result was as we can see. All the world's strategists were wrong, including President Bush.

Why was that? The biggest reason was in the military strategy of the United States. When the United States began hostilities with Iraq, they thought it would be a limited war at the stage where there were less than 10 years to the 21st century. Therefore, they probably thought if they displayed overwhelming military power the enemy would surrender.

However, as those who have traveled to the Middle East know, the historical consciousness and the consciousness of time in the present Middle East, and in the Islamic world, is not that of 10 last years of the 20th century, but is probably akin to that of the *Sengoku* period [about 1480 to 1603] in Japan. So you may be defeated once or twice in a war, but it is sufficient if the leader's head is not taken. Bush didn't take it. Therefore, it is probably natural that the head comes to the fore again. That is not a metaphorical problem.

Why did Mr. Bush try to end the land war in four days? In the first place, because he was worried about world opinion. However, in history, arresting someone on another charge is the norm. The side that struggles thoroughly until achieving the goal is the one that wins. For example, worrying about criticism that says it is odd to do that much, and then suddenly relaxing one's hand does not ensure victory internationally.

Why did he worry about international opinion? The reason is that most of the world, especially the Arab countries, did not desire the destruction of Iraq. In order to completely get rid of Saddam Husayn, and leaving aside the question of whether or not that was necessary, for example if they had advanced as far as Baghdad and at least annihilated the presidential guard units that were surrounded on the south bank of the Euphrates River, the only alternatives for Saddam, who would have lost his own support base, would probably have been to withdraw from power, to have been killed, or to have killed himself.

If that had happened, then the southern half of Iraq which is in the sphere of influence of the Shiite faction, the same as Iran, could have political control. In the north, the Kurds would establish an independent nation. The Baghdad vicinity, which is smack in the middle would have become a deserted field.

If that happened, the nation which would be in the most difficult position would be Saudi Arabia. That nation is a great power in terms of territory, and is very worried that Iran's power will grow even more. Iran's population has already passed 50 million. And it is a Shiite nation. It would control the river mouth of the Tigris and Euphrates Rivers, which has the largest underground reserves even among the Gulf, that is, both banks of the Shatt al-Arab River, and would directly come to border on Saudi Arabia.

Syria would also have a problem. That nation is at loggerheads with Iraq, but, while fighting with it, has come to bring pressure on Israel by stringing out a joint front with them, and they would lose the ability to use that tactic.

Furthermore Turkey, Azerbaijan, and Iran and various other nations were opposed to allowing the establishment of an independent Kurdistan by a united Kurdish people. The reason for that is that territorial demands from them would be forthcoming.

Accordingly, the United States did not intend to upset the old order. Is it not natural that an opponent one does not intend to destroy then survives? They waited for someone to appear internally that would take Saddam's head, but to their regret the calculation did not work out.

Thus, Bush talks about a new world order, but its substance is completely the idea of the old world order and does not differ from the balance of power idea.

Therefore, when the interests of position are involved, they quickly become unable to take action. Already, for Mr. Bush, and also for the people of the United States, the words new world order have ceased to be words that raised morale and conveyed an optimistic tone.

No Order Is Also Order

In reality, nothing has changed. But, I think this situation itself is already a new order. When some extremely powerful person manifests police power, and with that

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power says things like world order or new world order in the sense and form of protecting law and order, it is no such thing.

One scholar in the United States says things like "the old order is destroyed. But, the new order is not yet established. What has been established is a new world disorder." He is correct.

However, if you think of the present situation as one regime, one structure, then there is also order within disorder. What has been thought of heretofore as the world order is clearly destroyed and a new world order is in the process of being created. Shouldn't we in fact think of it in this way?

What we call the new order is something that is based on a fairly primitive autonomous independence as can be seen in the former Soviet Union, where "we want to control our own problems, and we do not want to be controlled by someone else any longer." All kinds of relationships such as blood ties, land ties, ethnic and various interests are in involved in this.

Once set free from the restraints on aspiring to control one's own problems by oneself, it spreads without limit.

The Soviet Union disappears, and, of the 15 republics that appeared in its place, already Azerbaijan and Armenia's Nagorno-Karabakh are on the verge of civil war. Georgia too, is in reality in a civil war situation. Former president Gamsakhurdia says "I haven't been fired yet," and the struggle with Mr. Shevardnadze who arrived after him continues. There is also a touchy situation in Moldova. And that kind of situation will probably appear in Russia, too. There are also land questions between Russia and Ukraine. What to do about the Crimean Peninsula?

To say this bluntly, none of these situations has much impact on world security. They are domestic disputes. That kind of battle between brothers could appear anywhere where forces mutually assert their own rights without respecting the rights of the opponent, or where one side does not know its own limitations.

The conflict in Northern Ireland still continues. We call it an advanced nation, but it doesn't go beyond its bounds. What is wrong if the same thing occurs in the former Soviet Union? Will a world war occur because of the problem in Northern Ireland? This is the great premise of the present world situation.

As I said two years ago from this chair, the great changes that began in the last half of the 1980's cannot cause world wars that previously divided the world in half, and destroyed the structure for great wars that had no signs of occurring. That is how far the process of collapse has progressed.

Accordingly, shall we call it the binding or the value, of the existence of national states has been greatly reduced. Until now, what made the national states necessary was the two great wars that occurred in this century between national states. Therefore, borders were important. Those national states were, depending on which one, very artificial and man made, and became the Soviet Union. The Soviet Union gradually lost its economic power and lagged absolutely in the technological revolution and it was defeated in 1989, and already World War III has ended without being fought. Since it is no longer necessary to think about war based on national states too much, it is not even necessary to preserve the framework of national states.

For example, as in the independence question for Quebec Province in Canada, there are people everywhere who want to advocate their own sovereignty within national boundaries. This is the start by these people in the former Soviet Union and in the old Eastern Europe of advocating their own rights.

As the result, disorder is appearing. This calls for freedom and in cases where those who achieve it do not have self-control, it is probably the price they must pay. In so doing, there are probably those who suffer misfortune and learn from it, and those who do not. This is reality.

That is, the first principle of the world after the shattering of the great war structure is that authority is being dispersed and not concentrated.

To what point will it be dispersed? It will probably be decided by the wisdom of the people living in that territory, but since it is common for human beings to take foolish actions generally, we probably have to understand that conflicts will naturally occur. The United States probably fears that the most. That is, already there are conflicts appearing that cannot be handled within the framework of the order we had before. How to deal with those?

Change Is From West to East

This change until now occurred in the Soviet Union itself, the heartland of the Eurasian continent, and has gradually moved eastward. There are four countries in the world that are as before, continuing the Soviet Union model of one-party rule by the Communist Party that the Soviet Union itself proved was the model for failure.

Of those, three are in Asia. It goes without saying that these are China, North Korea, and Vietnam. Cuba is the other one. We must say that there are absolutely no guarantees that these nations can maintain in the future over the long term the same one-party dictatorship by the Communist Party that they have had heretofore.

In what form, and when will it end? That answer is probably case by case, but that these countries will be visited by great change sooner or later is "the inevitability of history." Since this is in the vocabulary of the Communist Party, I don't really want to use it, but it could not be avoided.

Therefore, for us too, the storm is gradually moving from West to East, and we ought to think that Asia will confront a period of great change for at least some years

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into the future, probably for from five to 10 years. Groping for a new order in Asia has already started. In what form has this begun?

First of all, China is opening the National People's Congress at present. The basic theme is "holding fast to the liberation system." It was Deng Xiaoping who said this. Then, based on this, the assault of the conservative faction is starting in the public debates in the National People's Congress.

Deng Xiaoping has no party or government office at present. He is, as the conservative faction says, just an ordinary party member. But why do not only every party cell in the country but also all the diplomats dispatched throughout the world have to study what he said as if it was the consuming principle?

Since this is an extremely convenient direction for us, it is everyone's own choice to welcome it, but it is imperative that we engrave in our minds that this is not a constitutional government.

China has not even advanced to the level of democracy found in East Europe. If we borrow the Chinese own words, Deng Xiaoping is not "an old comrade," but it appears he is the "last emperor." Said in terms of their ideas, China has never given birth to the former republic. The Qing dynasty perished, and the present system that appeared after the war between the communists and the nationalists is probably fending off one part of the imperial court. If that is so, then understanding follows.

Deng Xiaoping is no ordinary party member. His presence is like that of retired Emperor Goshirakawa. He does not need any title. But, he is the real power holder. There is absolutely no guarantee about what kind of system would remain if that power holder were to leave this world. Therefore, doing things that way, having Deng Xiaoping's addresses learned by the entire national party organization and even by the diplomats scattered throughout the world is not much different from Hideyoshi Toyotomi, just before his death, requesting his senior councilors and magistrates to "to ensure the continuance of the regime." As one might expect, the post-Deng Xiaoping period in China may not necessarily develop the way Deng wishes it to. In viewing history, wishful thinking is prohibited.

At present the people who are watching and are the most worried about the changes in China, are the Chinese young people. When you meet and talk to them, none of them can picture a concept of the future and they don't even know what is going to happen to them tomorrow. This will probably be the seed of extremely great disorder for China.

Deng Xiaoping's conclusions are quite clear. The economy will be capitalist. But, the political structure will be the monopoly of the Communist Party. The question is whether such a form possible. Leaving one condition aside, I believe it is impossible.

That one condition would be the appearance on the scene of a charismatic leader even more powerful than Deng Xaioping. If that does not happen that kind of unnatural thinking will not continue for long. It is illogical.

The Nuclear Problem and Japan's Foreign Relations

The most dangerous of these nations is North Korea. It seems that a deeply submerged form of change has begun in this country. Probably from the first part of April to the middle of the month domestic procedures were completed and a security agreement will be ratified with the IAEA [International Atomic Energy Agency]. Based on that, the first international inspection will be conducted, probably in the first part of June.

With this development, is it all right to believe that North Korea loses the capability to develop nuclear weapons on its own? It means no such thing. Since it joined the IAEA six and a half years ago, within a year it was to sign the agreement it is signing now, after that, within six months it had to accept an inspection. Those deadlines were extended for five years and they were finally ratified now, and that they will accept an inspection is only that they are in the position Iraq was before 2 August 1990.

Iraq plunged into a war last year, and was defeated in a little over a month. When forced to accept a UN inspection, what they showed to the IAEA investigation team was merely what was above ground, and in reality the manufacture of nuclear bombs in underground factories and in the secret factories in the mountains continued. If the opening of hostilities had been delayed another two months the view is that Saddam Husayn would probably have had his hands on a rudimentary atomic bomb.

From the achievements of North Korea to this point, I would say that it has not changed its foreign policy one iota. Is there a necessity for it to change? They have won many diplomatic victories in the six and one half years that they have delayed discharging the international responsibility that they were supposed to have taken care of six and a half years ago, that is, the duty to provide to the IAEA an inspection of their facilities related to atomic energy.

First of all, they joined the United Nations. Furthermore, the United States received a big shock with the dissolution of the Soviet Union and it withdrew its tactical nuclear weapons around the world. They completely took them out of Korea, too. The United States has a policy of neither confirming nor denying the presence or absence of nuclear weapons, but at the end of last year president No Tae-u proclaimed there were no nuclear weapons and made clear that all U.S. tactical nuclear weapons had been removed. A North-South reconciliation mood grew stronger and this year's joint U.S.-South Korean combined military maneuvers were canceled.

Since North Korea achieved that much in terms of diplomatic results without even a single concession, there is no reason for them to change their existing foreign policy in the future. What is their existing foreign

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policy? Chairman Kim Il-song has repeated publicly hundreds of times "we have no intention of building nuclear weapons, nor do we have such capability." If that were true, then why have they hidden them? While concluding the security agreement on 30 January to accept an IAEA inspection, why did they delay another half-year? It is not logical.

It is natural to think that what they are doing and what they are saying are different. Information from North Korea is extremely scarce, and because our information comes mainly from such things as the verbal reports of asylum seekers and from unofficial reports, and even if some exaggeration is unavoidable, according to a diplomat who fled to the West in April of last year, the tension is also heightening considerably within North Korea.

In the first place, the economic situation is not good. The food supply situation is bad. THE NEW YORK TIMES finally wrote about it and they reported that, because there is insufficient rice, they eat two meals per day. Even so, when it gets to be mid-month rice is cut off and they mix water with corn flour and soybeans, a truly bare existence.

However, despite the fact that dissatisfaction is growing and there is a situation where the people are in a precarious position for their food, the leadership is insistent that they have absolutely no intention of changing the present system of one-party rule of the Communist Party.

Moreover, Kim Il-song wants to transfer the administration to his son, Secretary Kim Chong-il. The diplomat who fled testified that it appears Kim decided on a fundamental policy of completing development of nuclear weapons prior to the fact as the final grounds for the implementation of this hereditary system.

We do not know whether this is true or not, but in case of doubt, thinking that there is also possibility is probably natural for living in this world from now on.

The problem is whether this can be stopped. Until now we have relied mainly on diplomatic measures to make him cease, but the Koreans insist "we aren't doing it." For example, if an inspection team went there and was told, "as you see, it is just as we said, we aren't doing anything," then there would be virtually no progress. There would be none because perhaps they are already hidden.

If there the United Nations adopts a resolution to have a forced inspection such as "because it is somehow fishy, let us take a look," and if in turn it was conducted and nothing was seen, is it possible or not to adopt the Gulf model and prevent North Korea from possessing nuclear weapons with a multinational force, or with the military power of the United States? It would probably be extremely difficult.

In the first place, North Korea is different from Saddam Husayn's Iraq and has not invaded a neighboring country. It has generally observed the cease-fire agreement on the Korean peninsula.

Second, There are also other countries which, similarly, or even more likely than North Korea, are suspected of possessing atomic weapons.

First of all there is Israel. It probably has them. Next, there is India. India probably also has them. They say India has about a half-dozen. There are also others, such as Pakistan, which are said to be on the verge of success in developing them.

Not one of these nations has become the subject of a mandatory inspection in the UN Security Council. The reason they have not is simple. It is because they have not joined the IAEA. That there is no precedent would probably lead to a big debate in international society.

If the very controversial debate over "will they handle only North Korea, which has joined the IAEA, specially or, why don't they make a problem about the other countries that are supposed to possess nuclear weapons," were to continue for two or three years, in that time the countries involved would have nuclear weapons.

The degree of credibility is not that high, but according to sources of the KGB before the destruction of the Soviet Union, North Korea had virtually succeeded in manufacturing an atomic bomb and would be in a situation of completing the bomb after installing some parts.

According to CIA director Gates, in testimony in Congress in February, if there were a two- or three-year debate, it would not do any good, since North Korea would probably develop nuclear weapons before the fact, in some months at the earliest, or in a year or two at the latest.

In that case could the United States follow the third path and take unilateral action? That too, would probably be exceedingly difficult. The reason is whether or not South Korea would concur.

Even without calling for a UN resolution, because the United States has a mutual military treaty with South Korea, it naturally has to confer with its alliance partner, South Korea. The position of South Korea is very difficult. They would probably say no.

Whatever you say, even though its policies and philosophy are different, brothers and relatives live in North Korea. Even though the memories of the earlier war have not faded, probably their real intention is not to want to start a second Korean war over the issue of nuclear weapons.

Furthermore, this is a big political year for South Korea. The Democratic Liberal Party, the party in power, was defeated in the national elections. A presidential election is waiting at yearend. If the United States notified South Korea, which is in a state of excitation and confusion in

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politics from top to bottom, of an intention to unilaterally attack North Korea, would South Korea do it? I won't say they couldn't, but it would likely be very difficult.

There is one method remaining. With the authority of the United Nations, have a resolution calling for a mandatory inspection and press for its execution. However, if they are turned down by North Korea with "there isn't any more than this," would there be any result?

With a UN resolution, can they get the official government charter for military action against North Korea? This is the so-called Gulf model, but they can't get it, can they? The deciding vote rests with China.

When Chinese diplomats are asked, "if the possession of nuclear weapons by North Korea reached a crisis point and the United States presented a resolution to the United Nations for recognizing sanctions, including military action, would China cast an affirmative vote, or, as in the Gulf war, abstain, and could the use of the veto be avoided," they answered they would probably vote against. "Russia would also probably cast a negative vote," they said.

If that is the case and because the veto power would materialize, there would be no way for the United States to take military action against North Korea under the official banner of a UN Security Council resolution. This is evidence of how unrealistic the new world order of Mr. Bush is on the action side.

It seems a leap of logic, but if this situation continues, and based on the premise that it is possible that North Korea would have nuclear weapons in four or five years at the latest, I think Japan should begin augmenting its foreign and domestic policies now.

It is possible that one day North Korea will suddenly reveal, "we really have them." However, depending on the circumstances, this might be the ace in the hole for the North for a future merger on equal terms with South Korea. That is, for the North, which cannot compare to the South in economic terms, it might be the trump card for a merger on equal terms instead of an absorption merger as in the case of East and West Germany.

Because South Korea is being restrained by the United States it cannot arm itself with nuclear weapons. So, you can talk as much as you want secretly about North Korea, saying "how about an equal partners merger and creating a Korean federation" using that trump card. In the final analysis, it is merely one possibility, but the head of the Seoul office of our competitor, Tsushinsha, has written that such rumors are also floating around Seoul.

What will Japan do in that case? The answer is already decided. We will ignore it. There are neighboring countries with nuclear weapons even now. Russia, China, the United States, France, England... Their ships and aircraft are constantly going by. We ignore them and have come through the last 46 years. What change might there be from the situation heretofore if North Korea or a unified Korean peninsula tried to have them or didn't have them? There is absolutely no need to get flustered.

Our choice, not to have nuclear weapons or to seek hegemony was the right choice. In none of the nuclear powers that I just listed is the economy in good shape. All of them are calling for Japanese economic assistance in some form. That is the answer.

We should think very carefully about economic and technological support for those countries that are about to build nuclear weapons and for those that have them at present, and I would like you to study even at the corporate level what kind of meaning this has for strategy.

Accordingly, it is not necessary for us to follow the road of the defeated after them. If North Korea tried to get nuclear weapons, and Japan were shocked, and abandoned the three nonnuclear principles, and even further abandoned the postwar constitution and suddenly armed itself with nuclear weapons, that in itself without a doubt would probably be the end of Japan. There is no need to make such a choice.

Even so, in order not to be excited later, we should probably believe that there is a very strong possibility that North Korea will succeed in developing nuclear weapons.

Policy for Present, Near Term

This is the situation in the world at present and for the near future. How should we deal with this new world order, of chaos as the new order?

In the first place, why did the limits of the United States appear as clearly as they did? The United States was victorious in the Gulf war, won the cold war with the Soviet Union, and became the top superpower in the world. At present the only nation in the world that could be called a superpower is the United States.

Why then is such a United States suffering from a long-term recession? Somehow or other it seems the recession hit bottom in the January to March period, but the pace of the recovery is extremely slow. Why did their constitution become so weak economically?

If you talk about the phenomenon aspect, the bill for the debt bubble, the huge borrowing in the economy, came due. Furthermore economically, the Gulf war was no big deal, but the United States was attacked by postwar recession from the complete end of the cold war with the Soviet Union before the shooting started. The present situation is that they have taken this double punch.

The impact that was especially large was the postwar recession of the latter. The postwar recession that accompanied the cold war with the Soviet Union will become more substantive from here on. If you look at the numbers for unemployment in the U.S. economic statistics, you can generally understand the direction. Right now, the places with very high unemployment rates are New York and California, especially the area around Los Angeles. The average unemployment rate in the country

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is 7.1 percent, but in New York State it is more than 8 percent. New York City is 8.9 percent. Even higher than this is Detroit, with 9.1 percent. They say unemployment in Los Angeles County with its concentration of the munitions industry will reach 420,000 by 1995.

That is, the Soviet Union was not the only one to receive a big blow due to the great war structure. The superpower called the Soviet Union could not sustain a great war structure any longer, and it crumbled. However, standing on the premise that in due time a world war would occur, the United States, another pillar that had held up this structure, also saw its efforts reduced to nothing. The bill for all this will now come due.

They said that even minimal estimates of those laid off from the munitions industry will probably be 1 million. Since the United States is steeped in debt, whether it be to buy something or to buy a house, one borrows and repays with monthly payments over a long time. Because of that situation, it is absolutely necessary for those currently laid off to be reemployed and to bring home a regular paycheck each week, and for white-collar workers also to get a monthly salary regularly. If that doesn't happen, they cannot buy on monthly payments.

Therefore, the recovery of the economy in the United States won't happen quickly. It will fluctuate every 10 days. At the least, it will take the next five years to pay the bill from being made to expand the munitions industry and its related industries in preparation for World War III, whether Mr. Bush is reelected, or whether Mr. Clinton takes the stage.

And then the debts of the people (individuals and corporations) and the government (central government and local government bodies), were more than 2.5 times the GDP at the end of last year and the growth is continuing. This is the appearance of the United States in the 1990's, the world's only superpower. The resources that it can use economically are fairly limited.

Therefore, Buchanan appears. He says "Why worry about the rest of the world? Let it go. America first. Let's think about ourselves first." More than anything this is the expression of the loss of the capability of the United States to sustain unilateral control.

Of course, Mr. Buchanan is in the minority. But, the great majority of the people in the United States embrace this in their hearts. And it is probably the expression of the inability of the leaders to respond to the common man's, and therefore extremely strong dissatisfaction of "we worked as hard as this and even went so far as to spill our own blood, and they said we established hegemony, but why are we suffering so in our daily lives?"

Accordingly, unipolar control, Pax Americana, will not suffice for the realities of the new world order. Through this long primary election process the United States itself is admitting that it cannot sustain that any longer. Therefore, Pentagon papers are no more than the Pentagon's own assertions in order to preserve the military budget. The United States cannot continue to pursue that policy. The economy cannot support it.

Therefore, will the multipolar era come, as Mr. Kissinger says? This is the simplest way out of the difficulty. The United States by itself cannot control the world. Therefore, that is the reason that Japan, the EC, and then China, and Russia and the other countries in the area, those various powers somehow banded together as one unit, will probably go on to manage the world from now on.

This is truly a 19th century idea, and does not differ at all from the foreign policy of the great powers. Thus, from it is already breaking down from the bottom.

Can Russia have hegemony? The countries that made up the former Soviet Union are answering "no" in their own mother tongues.

Could the Japan that is close by exercise hegemony? Are we seeking hegemony? What China ordinarily questions Japan on is that problem. I have never met a manager, not only the administrators of the nation but including corporate managers, who is running a company in order to seek hegemony. We have worked desperately to have a good standard of living. We have labored without sleep at night in order to make our products better than others. We do not have any particular intention of controlling the world.

Out of character, we were the only country from Asia among the great powers and we tried to look good, and precisely because our attempt failed miserably, our present style of living emerged from the midst of our postwar self-reflection.

Therefore, Japan is not a power. It is not sufficient for hegemony in the meaning expressed by Mr. Kissinger. Why is that bad? Is there some necessity somewhere to comply with Mr. Kissinger's logic? Reality is more correct than any theory.

Therefore, the multipolar theory is also wrong. Well then, what kind of period is coming?

This kind of era is coming. That is, on the one hand, forces are working to diminish the national borders of the EC, and it is my view that what is currently occurring in the interior of what was formerly the Soviet Union is mostly another side of the same coin.

Useless maintenance of the borders called the Soviet Union is no longer necessary as a foreign defense measure. Therefore, although they were divided until now by fairly artificial borders, the various republics have started to assert themselves.

In the case of the EC, there is no longer any necessity to consider a war, especially a European war, among the group of nations of Western Europe, among the nations that have been traditionally capitalist. However, when you look at the economic aspects, since they lag greatly behind the United States and Japan, the EC has stumbled over political unification and currency unification,

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the first things it tried to do to weaken national borders, hoping to improve its living conditions slightly. They cannot stop self-assertion.

Furthermore, not only the nations of Eastern Europe, but even Russia and Ukraine say they want to enter the EC. If they did, could they become one with it? Could the EC be made into one entity, and could it have its own military forces? It probably could not.

Could a military force centered on Japan be created in the area around Japan? That too, would probably be difficult.

If that is the case, the only one with military power is the United States, but the United States, no matter how it tried to take action in a particular situation, as was learned from the recent experience in the Gulf war, cannot take military action without economic support from Japan and other nations. It is that kind of hegemony nation. It is hard to say that it is a nation with complete hegemony.

It would be well to consider that this is an age where the kind of trend toward scattered authority will continue in the future, and that China, which had aimed to become an Asian superpower and which got on board late, and that those weak or small nations such as North Korea, India, and Pakistan which believe if they at least had nuclear weapons they could join the ranks of the first class nations will come along later.

Of necessity, the nations will move in the direction of the United Nations to regulate this, but the United Nations has an important flaw. It was originally a postwar structure to deal with treatment of World War II, and is itself an old structure. Therefore, it is not one nation, one vote. Since the permanent members of the Security Council are much like a ruler with veto power, it is like a league of kings.

Even so, we probably have to actively employ the United Nations as a structure. There is no need for Japan to express a desire to become a permanent member of the Security Council. It will be enough to call for the abolishment of the Security Council permanent member-nation system. All nations as nonpermanent members from various geographic regions will be chosen for a fixed period and will make decisions in order to maintain peace and security in the world.

Since only the five nuclear nations have veto power, ambitious nations such as North Korea will appear. In any event, since they are not going to use them anyway, one bomb would be enough. In reality, even though the system is not such that you can be a club member by saying "hey, I've got them too," still, the form of the structure ought to be modified.

What to do about articles that indicate the position of the defeated nations such as Germany and Japan can come second or third, but those should be reformed also. Thus a new order has appeared before our eyes. New wine should go in new flasks. This will probably become the reformed United Nations.

If you look at this from the economic aspect, what will happen? Looking at the Uruguay Round, it is very clear. Those that always locked horns with military power before have now, conversely, become friendly. A good example is the United States and Russia. They are talking about an allied relationship.

From this, it will be an era where nations that were friendly before will now fight. However, the theme of the arguments will be economics. An especially representative example is the agricultural question. It is an interesting trend and the buyer is arrogant. The United States is arrogant since it is producing deficits. Because they are the customer, it is natural that they should be arrogant.

However, since talks will break down if they are too perverse, they probably have to somehow temporize GATT with an agreement.

Path Japan Should Follow

What about for Japan? Because Japan has already given an answer, there is no need to repeat it anew, but let us touch on a few points in general.

In the new world order a large war cannot likely break out any more, but in its place, in a period of transition, exports of weapons will become extremely lively. At present for example, in order to secure foreign exchange, since the only manufactured goods Russia can export to other countries are weapons and ammunition, exports are quite lively.

Poland and Czechoslovakia are also doing this. Ukraine also says it wants to. The diffusion of conventional weapons, especially the export of weapons to moderately advanced nations such as in the Middle East and Southeast Asia will probably gradually intensify.

The problem of what to do about it remains. As one might expect, this will probably have to await the efforts of the United Nations, but the advanced industrial nations in discussion with each other should at least stop the export of that kind of conventional weapons. Japan is traveling the correct road on this point. However, there will not likely be much of a result.

The export of conventional weapons is spreading, and while the threat of a major war has diminished, regional conflicts are increasing. What to do about this? We will probably at least have to create some UN peacekeeping force. However, when the question is what to do this year, that's a different story.

Cambodia's prime minister Hun Sen came to Japan and said strongly, "We certainly want Japan to dispatch Japan Self-Defense Forces to Cambodia," then he returned home. I'd like to say this is unwelcome advice.

Prime Minister Hun Sen is only 37 years old. For those over 50, it was Japanese youths in military uniforms who killed their fathers 46 years ago. Forty-six years have

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passed and now again Japanese youths in slightly different uniforms have come again. This would be the Self-Defense Forces in Cambodia.

History does not let you forget so easily. Even Germany, which decisively really rearmed before Japan, has not provided troops to the UN peace maintenance forces in the conflict between Croatia and Serbia.

That is natural, since Croatia was on the *Haken Kreuz* (Nazi) side and Serbia was on the Stalinist side. Those people who know the history of 46 years ago are still in those places.

Therefore, it will probably take another 10 years for Japan to make a military contribution on the global level. I am in favor of the PKO bill, but is absolutely vital that we apply extreme care in its application.

There are also other roles that Japan should play. The first is to restore economic health domestically.

To this point I have mainly discussed the cases of nations such as the United States and Russia that failed in their great war structure, but the Heisei period recession that Japan is experiencing now is the process of adjustment after the collapse of the bubble and has an extremely important meaning.

There were three bubbles. The first was stocks. That burst. The second was land, and that is in the process of bursting now. Probably it will take until the end of this year before it is finished bursting. The third is production capability. That bubble remains.

When the bubble reached the high water mark, the big companies acquired huge sums of funds through equity financing. Virtually free money came in. Even really serious companies increased and strengthened their production equipment with such funds whose cost was so cheap.

Furthermore, at that time things were based on a fairly unrealistic view of supply and demand and on the premise of the bubble economy. If you throw that unrealistic outlook for supply and demand into a computer, it is quite natural that it calculated numbers that greatly exceeded reality as appropriate inventory levels. Probably the present situation is that it is taking longer than was foreseen to regulate those inventories.

Excessive production has already become actualized in almost all industrial sectors. Paper pulp, petrochemicals, steel, semiconductors, household appliances, automobiles... Since this is the result of the increase in production facilities by all of Japan's mainstay industries, based on excessive expectations that were inflated to more than what was realistic, it will probably take the rest of the year to be rid of the problem.

They have already started to adjust production. Depending on the industry, it will take until summer, and because other industries will take a little longer, it will be after October, probably the beginning of next year, for adjustments to inventories to be completed and the next stage to begin.

This is the short-term outlook, but taking a slightly longer term view, I wonder if this is not, in fact, an extremely big starting point for Japan.

The Soviet Union devoted its national power to trying to be a superpower and in the end it crumbled. The United States, in order to resist the Soviet Union, poured its economic power, bloated by borrowing, still further into military power as a top priority. As the result, they are now in a situation in which it will take a fairly long time to recover.

As a result of throwing funds into equipment on bloated expectations in the domestic bubble economy, Japan has a mountain of goods left over that it cannot sell, and is in trouble at present.

However, if you have funds, increasing production equipment is the correct thing to do, and in so doing they merely ran a bit too far ahead of the trend of the times. Deficits will probably continue for two or three periods, but for the future beyond that, since the next upward curve that counterbalances the increase in world demand will probably start, and I think the drop will probably not be too great of a drop.

Even so, this year's real growth rate will likely be about 2.5 percent, plus or minus 0.3 percent. At the worst, it would be 2.2 percent. And, if the government's and the Bank of Japan's policy operations go well, it would probably be on the order of 2.8 percent at the most. This is a short-term view.

However, if you take a long-term view, I think Japan's somehow continuing this way is not so good. Long term means more than 10 years, and it is a question for after the start of the 21st century.

The biggest problem is that the population is about to start decreasing. The labor force is supposed to really start dropping in four years, in 1996. The forecast is for the overall population to reach a peak in 2010. According to trial estimates, the total population of Japan 100 years from now, in 2090, will be 94 million. That is the same thing as if the present population of the national capital area of Tokyo, Kanagawa, Chiba, and Saitama were to completely disappear.

Even though that is so, why shorten work hours? If the population decreases, if we don't work long hours we won't be able to eat, will we? In the United States, in the 20 years from 1970 to 1990 the yearly average hours of labor of the average worker grew by 194 hours. That probably means without working longer they couldn't eat.

Even though there are fewer people, and if the hours of labor were shortened, then there is only the alternative of making someone work. In reality, the back door has been liberated, but the opening of the labor market has not yet formally happened. This is a contradiction. If Japan were to be destroyed, the root cause would probably be policies that fail to know Japan's own place.

What has supported the economy, as we have proven, is people. Can there really be a trend in Japan at present to praise the diligent labor force?

The thinking that says long hours of labor is scandalous is itself scandalous, I think. Isn't this the European and American way of thinking? That is labor is a painful thing, and since it is forced upon them by someone else, they want to try to shorten it as much as possible. But, shrinking the working hours of people of the workman's frame of mind who like work so much that they can't stand it is absurdly conceited.

On television recently it was reported that an automobile manufacturer would cut back its hours and at a designated time the watchman would come around and would turn out the electric lights. They say that doing that is standard thinking. There are also those who remain because they like work. Or, there are also those who have to remain late because, for example, they are waiting for communications from overseas. What's wrong with a company operating 24 hours a day? Those people who don't want to work can hurry on home. But, in return their salaries are also low. It is only natural for those people who enjoy long hours and who want to work to receive the fruits of their labor to that extent. That point, the biggest problem in the operation of Japan's present economy, is being whined about from abroad, and I wonder if we haven't lost sight of the correct path we followed, even though that path we followed was the correct one.

I am not saying unconditionally that long hours of work is fine. However, for work that one likes to do, for however many hours, is not particularly painful. I am saying I don't want us to adopt policies that make us lose that kind of workman's mentality.

Furthermore, the work one does in one's company may not be all that interesting, but it is also alright for those people who want to put their energies into other work after they return home to have that choice.

There is one common item. That is if the Japanese do not work more diligently, they are lost. For if they don't they will be destroyed for certain. We have no natural resources.

Then, as I said the last time, the resource nations are suffering now. They are suffering because they tried to live leisurely and comfortably relying on resources.

If Japan, without resources, a Japan where the population will steadily decline, wants to have more economic power than today, then probably the only alternative is for the Japanese to work harder than people in the United States or people in China.

The rest will be as I said the last time, we have walked the line that we generally forecast.

The necessity of military power will certainly remain in the future. Because dangers press in on us, the Japan-U.S. security structure will increase in importance even more. Especially in the maintenance of peace in Asia, because there are many places where Japan cannot go directly, the Japan-U.S. Security Treaty will probably have to be kept for at least 10 years.

On top of that, Japan, as the world's generator, will probably have to answer the question of what is the creation of wealth? We tried seeking hegemony, but in the end it was a path filled with many evils and no result.

Going further on, becoming an international society where all nations have a right to speak equally is itself probably the new world order. What is being called for in that process is that if one advocates authority, then one's own self control is necessary, and if one wishes to do great things, then one must be prepared to work for them.

I think that perhaps self-help and self-control will become the guiding principles of the new world order. Accordingly, the facile scattering of economic assistance is the opposite. How much self help and effort are there? Based on our support how much can the efforts of the local people be extracted? With that as a precondition, if you can think about matters, the evaluation that the road we have travelled these 46 postwar years has certainly not been useless for the world, will probably come back presently.

(This manuscript has been put together from a speech given on 31 March at the meeting of the managing directors of the Japan Tariff Association.)

Oil Companies Plan Joint Venture in Russia

OW2707215392 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Jul 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] Teikoku Oil Co., Ltd.; Mitsui Oil Exploration Ltd.; Toyo Engineering Corporation; and Suntech, a trading firm dealing in chemicals with its head office in Tokyo, will begin increasing production in oil wells in the Urals and Volga region by forming a joint venture with Russian oil companies. By boosting crude oil output through the injection of chemicals into the oil strata where production has fallen, the Japanese will receive a part of the increased production as dividends from the joint venture. The rapid fall in production of Russia's oil wells, which is a result of equipment deterioration and shortages, constitutes a major factor in economic stagnation. Russia has also requested that Japan cooperate in terms of funding and technology, but this is the first time that such an idea has been brought into reality.

The joint-venture partner on the Russian side is the Kuybyshev Oil Production Union. It is located in the Kuybyshev region in the oil well zones of the Urals and the Volga region just north of the Caspian Sea. There is a daily production of crude oil from about 100 oil wells amounting to 300,000 barrels.

At present negotiations are underway on the establishment of a joint venture with fifty-fifty investment by Japan and Russia, and in all probability an agreement

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will be formally signed soon. The four companies on the Japanese side will henceforth finalize the ratio of capital contribution by each company. However, they plan to also apply for funding from oil public corporations as well as for trade insurance.

As for increased oil production, a technique called the enhanced oil recovery (EOR) method will be used. Chemicals such as surface active agents will be injected into oil layers in order to facilitate the gushing of crude oil. Of the 100 oil wells, it has been observed that there are 20 to 30 in which it is necessary to apply the EOR method. A plan for increased output will be worked out in future.

Russia is the world's largest oil-producing country, but its production is decreasing due to deterioration of the oil wells. Production has fallen from a daily output of about 12 million barrels in 1988 to about 8 million barrels currently. However, as Russia's oil deposits are estimated to be the world's largest—being in excess of 60 billion barrels—major European and U.S. oil companies have already hammered out large-scale oil development plans for Russia. In contrast, Japan has not developed any connection with Russia's oil industry, except for the development of crude oil and natural gas in the Sakhalin Oblast.

Russian Jet Violates Airspace, Causes Scramble

OW2907165192 Tokyo MAINICHI SHIMBUN in Japanese 28 Jul 92 Evening Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom data base]

[Text] According to the Defense Agency [DA], a jet aircraft belonging to Russia violated Japan's territorial airspace over eastern Tsushima in Nagasaki Prefecture for about one minute starting at 0306 [1806 GMT] on 28 July. Because of this incident, two T-15's and two F-14's of the Air Self-Defense Force were scrambled from Chikushiro Air Base in Fukuoka and Naha Air Base in Okinawa respectively. Kasuga Air Defense Command Center issued a warning in English to the intruding aircraft, but the pilot did not respond. This was the third violation of our territorial airspace by Russian aircraft this year.

According to the DA's study, immediately before its violation of our territorial airspace the pilot informed the Transportation Ministry's aviation controller that the aircraft was a "Tu-54 transport belonging to Russia's Aeroflot."

Since the transport was taking a fight path from the Russian Far East to the former Soviet Union's air base at Cam Ranh Bay in Vietnam, and since Aeroflot is a civilian aircraft company also used by military, the DA suspects this aircraft might have been a military transport. The DA is collecting information on its final destination.

Russian Foreign Minister Kozyrev, who visited Manila to attend the ASEAN foreign ministerial meeting, disclosed on 21 July that Russia intends to resume its use of the former Soviet military facilities in Cam Ranh Bay without closing them down.

The Foreign Ministry's Russian Department Chief Komachi called Russian Embassy Councillor Ivanov to the ministry at 1130 [0200 GMT] on 28 July and filed a strict protest, saying: "Our country cannot connive at it if this is true." At the same time, he asked the Russians to take measures to prevent similar incidents from occurring. In response, Councillor Ivanov said: "It is a regrettable incident. We will investigate it." In this way, he promised he would inform his government that Japan complained about the incident.

JETRO To Sponsor Imported Car Fairs

OW2707215192 Tokyo ASAHI SHIMBUN in Japanese 25 Jul 92 Morning Edition p 11—FOR OFFICIAL USE ONLY

[Text] On 24 July the Japan External Trade Organization (JETRO) announced that, in order to expand imports of foreign-made cars and auto parts, it will sponsor imported car fairs in five Japanese cities and will provide assistance to various projects. For example, inspection groups will be invited to promote auto parts exports to Japan, and preparatory training programs will be held to promote joint research and development,

The plan has been worked out as part of a concrete project to implement an action program on promoting Japan's auto imports agreed upon by the U.S. and Japanese Governments when President Bush visited Japan early this year.

The imported car fairs to be sponsored by JETRO and the Japan Automobile Import Union will be held in five cities—Tokyo, Osaka, Nagoya, Sapporo, and Fukuoka—up until next March. JETRO reportedly also plans to arouse people's interest by conducting programs such as seminars on driving cars with the steering wheel on the left side and talk shows with famous people who happen to drive foreign cars.

With regard to inspection groups for expanding auto parts exports, JETRO plans to invite to Japan foreign parts makers—who are at a loss on how to promote sales in the Japanese market—in order to brief them on the actual situation regarding production and development by the Japanese makers. JETRO is scheduled to accept four groups this year. Preparatory training in joint development is aimed at helping foreign makers gain a better understanding of the actual situation of the Japanese system. Based on this system, Japanese automakers and parts makers will start their cooperation from the initial stage of development and designing. In this way, JETRO plans to invite foreign technicians so they will receive training at Japanese companies or other institutes.

Government, LDP To Finalize Economic Package

OW2707111992 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Jul 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] Now that the ruling Liberal Democratic Party [LDP] has succeeded in securing a majority of the reelected seats in the House of Councillors, the government will begin consultations with the party on details for overall economic measures. In the election campaign, the economic measures that should be adopted to help the recovery of the economy were a point of contention among political parties, and the immediate task facing the government now is the adoption of a large supplemental budget.

Now at focus is how far the Finance Ministry—which has been resistant to a big supplemental budget in view of given financial conditions—is willing to accommodate the LDP's position, which wants more than 6 trillion yen worth of new projects to be carried out under the supplemental budget. Tax reductions on investments as called for by the LDP in the election campaign are also likely to be a topic for the talks.

In an emergency meeting of the government and ruling party leaders on 24 July, it was agreed that a decision on additional economic measures should be made by the middle of September. This means the work of finalizing the details of the overall measures will begin at the ministerial meeting for monthly economic reports on 28 July.

During the election campaign, the LDP announced what it calls the "basic direction for emergency economic policies," which emphasizes a need to hasten economic recovery measures and to adopt a large supplemental budget. This direction called for expanding public investments and promoting medium-sized and small industries by providing investment loans, as well as more loans for individual housing construction. LDP Policy Research Council Chairman Yoshiro Mori explained, "We are hoping that projects on a scale of more than 6 trillion yen will be made possible."

Meanwhile, the Finance Ministry noted the need to watch the availability of construction materials and manpower, pointing out that so many public works projects have been front-loaded into the first half of the year. The ministry persists in the cautious position about the supplementary budget, also in consideration of financial revenue problems caused by substantial falls in tax revenues.

Concerning the current state of the domestic economy, the Finance Ministry has insisted it feels that conditions for some geographical areas and some industrial sectors remain sound, and, as such, that further monitoring of the situation is necessary. A ministry official asserted, "For economic promotion measures to be more effective, it is necessary for us to do a more elaborate analysis of the economic conditions." What the ministry wants to do first is to conduct surveys and to decide on additional measures for economic promotion, like public works projects, only after the results of the surveys are made known—to ensure that the projects adopted may be those suitable for appropriate geographical areas and appropriate industrial sectors.

It is likely that tax reductions on investments—to help promote investments in manpower-saving facilities and other investments for plant rationalization—will become a topic over which the government and the ruling party will have to adjust their views as well. Currently, a system under which almost all the needs for such investments are covered exists, but the government "wants to study the possiblity of implementing some of the projects as early as this year if that is considered desirable." The selection of the projects will be done, led by the Ministry of International Trade and Industry.

Fiscal Measures To Boost Economy Assessed

OW2607124392 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Jul 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Unattributed commentary]

[Text] The government and the Liberal Democratic Party [LDP] have indicated at long last that measures will now be taken to cope with stock prices, which are hovering at low levels; however, the statement they have made contains insufficient details. While the Ministry of Finance [MOF] maintains that measures that may directly shift stock prices toward an upturn should and could not be taken, the LDP maintains that considerations must be given to stock price trends, partly because the upper house election is now entering its final phase; therefore, the statement seems to be a compromise worked out between the MOF and the LDP. This statement indicates the government and LDP worked out, in a short time, an intention, rather than a measure. In this connection, what is noteworthy is the fact that an accord has been reached this time on the advance acquisition of land lots required for promoting public works projects; however, due to its connection with the policy of land price controls, this is likely to become a controversial issue.

Since these measures include additional fiscal investments and loans as well as expansion of local individual public works projects after securing financial resources through issuing bonds, they are nearly the same as what has been expected so far. This is nothing more than a statement that clearly indicates the stance that a favorable influence on stock prices is expected, which can be indirectly imposed through a business recovery. Despite the fact that the statement has the effect of officially indicating to people both at home and abroad the government's apprehensions about the current level of stock prices, the measures are still inefficient in bringing about an upturn in stock prices.

For instance, concerning the deregulation of corporations' purchasing their own stock, which constitutes a direct measure to deal with the stock price issue, it is merely mentioned that "opinions have been voiced in this respect." Deregulation is considered impossible at this juncture because it will take time, as might be expected, to revise the Commercial Law. As for tax reductions on investment, the statement indicates that "future discussions will be made in this regard," but concrete details and the time for enforcement are not clarified.

The current statement indicates that arguments maintained by the MOF have been largely accepted. What has been most expected is that countercyclical measures will be taken on a large scale; however, the fact is that large-scale measures have once again been shelved. The supplemental budget cannot be decided until such economic indexes as the statistics for national income for the period covering April through June has been worked out. It has been observed that the statement has been issued because the MOF has insisted that the draft budget could not be worked out until about October, when anticipated tax revenues become clear, at least to some extent. The plan for reducing income taxes has been postponed because it is less efficient, and it also involves the financial resources problem.

The expectations prevalent on the market indicate that, "unless these measures should contain considerably unexpected details, they will bring about no results" (according to a major trust bank source). In this connection, these measures may result precisely in what has been expected.

Economic White Paper Criticized for Deficiencies

OW3007033492 Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Jul 92 Morning Edition—FOR OFFICIAL USE ONLY

[Editorial: "A Sense of Incongruity Toward Economic Analysis by Government Officials"—received via Nikkei Telecom data base]

[Text] The first edition of the economic white paper (issued in 1947) was highly rated and was formally entitled the "Report on the Real State of the Economy." At the time, the economic white paper was issued to help the people correctly understand the state of Japan's economy, which began moving toward rebuilding Japan from the rubble left by the war and to rally the people around constructing a new society. We vividly felt the enthusiasm of the writers of the economic white paper.

At this time, when Japan is rebuilding its economy following the collapse of the bubble economy, we want to ask the government that it issue not the "economic white paper" compiled on the basis of mathematics and economic theory, but an "economic report" compiled on the basis of the actual economic state. Any attempt to compare Japan's economy following the collapse of the bubble economy with that shortly after the end of the war might be laughed off. In reality, however, Japan's economy is now facing a totally new stagnation that it never experienced during the postwar years. While the goods and services sector is in a cyclic stagnation, there is a fear that the financial system might break down in the face of a crash in the prices of land, stocks, and assets.

Excessive investments in plants and equipment and runaway consumption have resulted in the glut of facilities, inventory, and durable consumer goods. Even if the glut has reached its peak, Japan's economy will be unable to recover in a conventional way because of the great financial loss the financial sector has suffered.

The economic white paper recently issued fails to clearly point out the real state of the economic problems facing enterprises and individuals. People are actually feeling and looking at the economic problems with their eyes. The paper should have pointed out the real state of unseen goods and services and the danger of a potential breakdown in the financial system. The paper says: The "crash in the prices of stocks, land, and assets is expected to have a limited effect on short-term demand. The financial structures of financial, stock, and real-estate industries have weakened. Though it will take time to improve, their weakened financial structures will have no serious impact on economic recovery." The paper thus expresses a wary optimism on economic recovery. However, the paper fails to present clear measures to end the present confused situation in which asset prices are falling, the financial system remains shaky, and the economy is in a triple crunch.

Although the ruling Liberal Democratic Party won in the upper house election and the official discount rate has been lowered 0.5 percent, the stock market is reacting coolly. The economy remains so stagnant that the money supply might even fall. There are concerns among some people that the economy might be breaking down. We hope that the paper will dispel such concerns with persuasive power. At a time when Japan is still not confident of how it should make the inventory adjustment in a logical manner, the paper fails to mention it. The subtitle of the paper is "Japan's Economy Aiming for New Development After Adjusting the Inventory." This subtitle will instead make people lose interest in reading the paper.

Japan's economic white paper has earned a high reputation. The more the writers of the paper make a sophisticated analysis, the more the people feel a sense of incongruity between the real state of their lives and economic activity. This sense of incongruity may stem from the fact that the writers of the paper intend to look at the economy only through the stack of lifeless past statistics and data. They have not made the effort to come to a full understanding of humans, who carry out economic activities; to take a first-hand look at the economic activities of enterprises and individuals; and to come into actual contact with the economy. We hope that the government will rebut the stereotypical complaint of "insufficient data for analyzing work" and compile an economic white paper that can answer the people's questions on an equal footing.

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Daily Report

East Asia

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East Asia

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Japan

Annual Japan-U.S. SII Progress Report Issued

Home Pricing 'Target' Included

OW2907155092 Tokyo KYODO in English 1537 GMT 29 Jul 92

[Text] Tokyo, July 29 KYODO—Japan agreed with the United States on Wednesday to include its target on home prices in an annual report on progress in implementing the so-called Structural Impediments Initiative (SII) agreements made in 1990, government officials said.

The second annual report, to be released after the second day of a two-day bilateral trade meeting, will include the target as a Japanese effort, not as a new commitment, the officials said.

Japan set a target of lowering home prices to less than five times the average annual salary of Japanese workers as part of its new five-year economic program for a better quality of life.

The U.S. has urged Japan to specify the target as a new commitment, claiming it will help expand domestic demand.

In this regard, a senior U.S. administration official said on condition of anonymity, "We were not able in the land use area to reach a new commitment, but we did have a good discussion."

The Japanese negotiators stressed that the quotation of the target will not mean a commitment to the U.S., the government officials said.

Japan, however, is still opposed to the U.S. request to revise the commercial code among others, and therefore drafting of the annual report will take longer than early Thursday morning, the officials said.

Meanwhile, Japan agreed to specify the timing for reducing exceptions to such industries as nonlife insurance, shipping, and distilling under the antimonopoly law, as was proposed by the ad hoc commission on administrative reform, they said.

The council proposed that a decision on the issue should be made by the end of fiscal 1995, which ends in March 1996, they said.

Japan also agreed on the submission of a bill for an administrative procedure law to the next regular Diet session, they said.

The two nations also agreed on a joint survey on the roles of [word indistinct] general trading [word indistinct] Japan's setting guidelines on management of councils under government ministries and agencies, and the U.S. Government and private sectors jointly making a long-term export expansion plan, they said.

The U.S. has asked Japan to revise its commercial code with a view to improving foreign and small shareholders' rights, they said.

The U.S. has also urged Japan to review the code of civil procedure in such a way as to facilitate suits for damages, they said.

In this regard, Japan is still opposed to the reform of its legal system, claiming that the Finance and Justice Ministries should study the issue independently at the Legislative Council, an advisory body to the justice minister, they said.

The senior U.S. official said that good progress was made in the areas of exclusionary business practices and distribution systems, but added that considerable work remains to be done in the savings- investment and land-use areas, and on the "keiretsu" system of interlocking business groupings.

The follow-up meeting is aimed at reinvigorating the SII process as pledged by Prime Minister Kiichi Miyazawa and U.S. President George Bush in January.

However, much has yet to be done by both sides to accomplish goals agreed to in June 1990 to eliminate trade barriers.

The U.S. has not much reduced its fiscal deficit, while Japan has resisted reform of its legal system.

The two countries are to issue the second annual report on Thursday morning.

Reasons for No 'Commitment' Explained

OW3007103792 Tokyo KYODO in English 1021 GMT 30 Jul 92

[By Keiko Tatsuta]

[Text] Tokyo, July 30 KYODO—Japan desperately defended its position not to make a housing price commitment to the United States in an annual report summing up the progress of the bilateral Structural Impediments Initiative (SII) agreements struck in 1990.

Japan agreed to include its home price-to-income target in the second annual report, released Thursday after the subcabinet-level meeting which began Tuesday to review the SII goals set two years ago.

However, Deputy Foreign Minister Koichiro Matsuura stressed that quoting the target was not part of Japan's new commitments, saying its inclusion "is only the introduction of part of our ongoing land-use promotion policies."

In its fiscal 1992-1996 economic program, the government vowed efforts to provide workers in metropolitan areas with houses of good quality at costs of around five times the average annual income of Japanese salaried workers.

The target, however, is widely expected to be unattainable.

Salaried workers nationwide paid 7.1 times the average annual income for ready-built houses and 6.6 times for condominiums in fiscal 1991, according to a survey conducted by the Foundation for Pension Housing Funds, an affiliate of the Health and Welfare Ministry.

"Such houses costing seven to eight times the annual salary are found everywhere in major cities, but (average salaried workers) cannot afford to buy such expensive ones," a foundation official said.

The U.S. had urged Japan to commit to the housing price target as one way to expand domestic demand in Japan, which they said could boost imports.

A senior Japanese trade official said on condition of anonymity, "the government cannot make a pledge to the U.S. before promising to the people."

The government is considering additional pump-priming measures to prop up the sluggish economy, among which is early investment in land for public works.

But some voiced concern that advance land purchases by the government may cause a recurrence of skyrocketing land prices, which could make the housing goal harder to attain.

The SII report mentioned Japan's prior announcement to introduce a substantial supplementary budget with a view of increasing domestic growth and reducing the current account surplus.

The U.S. negotiators expressed disappointment the report did not incorporate commitments to specific new measures.

With mounting frustration over the increasing bilateral trade imbalance, the U.S. renewed its demands, saying much remained to be done in the saving-investment and land use areas, as well as in the "keiretsu" system of interlocking business groupings.

U.S. Assistant Treasury Secretary Olin Wethington said at a press conference in Tokyo, "the measures (offered by Japan on the keiretsu system) are limited, they have not dealt with a number of areas we have thought important."

With one more year left to assess the SII progress, the two nations are apparently on the verge of impasse.

"The negotiations were tough with difficult issues being left behind on both sides as two years have passed," Matsuura said.

Tadao Chino, vice finance minister for international affairs, said, "the more we squeeze a lemon, the less the juice that comes out."

Another Japanese negotiator Noboru hatakeyama, vice international trade and industry minister for international affairs, said after logically unacceptable impediments were removed, the two nations are stuck in difficulties over a difference in systems.

Hatakeyama hinted it could be advisable to discuss structural issues in future on an international stage like the Organization for Economic Cooperation and Development (OECD).

'Commitments' Highlighted

OW3007045392 Tokyo KYODO in English 0434 GMT 30 Jul 92

[Text] Tokyo, July 30 KYODO—Highlights of Japan's commitments made in the second annual report issued Thursday after two days of bilateral talks on reviewing progress in implementing the bilateral Structural Impediments Initiative (SII) agreement of 1990.

Savings and Investment Patterns

—The government strongly reaffirms its commitment to work actively toward reducing its current account surplus.

—Year-to-year public works spending should be decided flexibly considering the prevailing economic and fiscal situation to avoid inflation and overheating of the economy.

—The government will focus on achieving its target of spending 430 trillion yen on public works for the decade from fiscal 1991 in drafting the fiscal 1993 budget.

(The United States sees greater Japanese public works spending as offering more opportunities for sales of U.S. products and services.)

Land Policy

—The government will continue to vigorously advance comprehensive land policies designed to increase the supply of housing and residential land and to make more efficient use of publicly held land in metropolitan areas.

—It will steadily implement measures to reform land taxation to promote more efficient use of land and maintain land prices.

(The United States sees Japan's high land prices as an impediment to foreign investment in Japan.)

Distribution System

—The government will continue to implement a wide range of measures to improve import-related infrastructure, speed import procedures, promote imports, and ease government regulations.

—It intends to further its study on the introduction of a registration system of food factories in an exporting country and on enlargement of the scope of blanket handling.

—With the aim of speeding the movement of imported goods, the government will expand the scope of cargo subject to simplified import procedures other than customs clearance procedures.

—Japan and the United States will resume expert-level talks on simplifying import procedures.

—The Fair Trade Commission will complete a review of its competition codes on premium offers in fiscal 1992 to keep them tailored to changes within the economic environment.

—The government will seek to increase the number of overseas JETRO senior trade advisers, including those to the United States, to facilitate Japanese corporate procurement and other import expansion efforts.

—Japan and the United States will conduct a joint study on the role of major Japanese trading houses for one year, and will set up a working group to discuss and determine contents and methods of the survey. The first meeting of the working group will be held by the end of September.

—The government will continue to promote transparency in standards and certification by making them more consistent with international rules.

(The United States has criticized Japan's distribution system as being complicated and discriminatory to imports)

Exclusionary Business Practices

—The government will take steps to enhance the antimonopoly law and its enforcement, to encourage nondiscriminatory procurement procedures by private Japanese companies, and to reduce delays in obtaining patents.

—It will advance a review of cartels exempted from the antimonopoly law with a view to eliminating or narrowing the scope of such exemptions by the end of October 1995.

—It will submit bills aimed at enhancing transparency in government practices to the next ordinary session of the Diet.

—It will establish an interagency group to prepare guidelines on government-sponsored industrial advisory committees and study groups with a view to ensuring transparency and reflecting views of interested parties, including foreign parties.

—It will sponsor a seminar on procurement practices of Japanese companies with a view to encouraging private firms to develop and make public pamphlets on procurements.

—It will increase the number of patent examiners and other officials involved in processing patents by 66 in fiscal 1992 to cut the period for processing patent applications.

Keiretsu Relationships

—The government reaffirms its intention to take necessary steps to make keiretsu relationships more open and transparent.

—The Fair Trade Commission will continue its monitoring of Japan's six major corporate groups.

—The government will continue to review legal provisions that allow it to restrict foreign direct investment and importation of technology. It recognizes that restrictions on foreign direct investment should be kept to a minimum.

—It considers it important to further expand the scope of segmented corporate disclosure and agrees to report to the 1993 follow-up meeting of the SII on corporate disclosure with a view to improving investor protection.

—The Ministry of Justice will submit a bill amending the commercial law to the Diet immediately after the recommendations of the Legislative Council is available with an aim to improve shareholders' access to corporate financial books and to facilitate derivative lawsuits.

Evaded 'Commitments' on Key Items Detailed

OW3007050192 Tokyo KYODO in English
0444 GMT 30 Jul 92

[Text] Tokyo, July 30 KYODO—Japan and the United States kept new commitments on key items out of a report on progress in implementing the Structural Impediments Initiative (SII) agreements made in 1990, negotiators from both sides said Thursday.

The second annual report, released Thursday morning after two full days of a subcabinet-level meeting which started Tuesday, picked up several "new commitments" on both sides but lacked freshness on key items, the sources said.

Among Japan's new commitments were a joint survey on the roles of its general trading firms, submission of a bill for an administrative procedure law in the next regular Diet session, and a review on exceptions to the antimonopoly law by the end of fiscal 1995, they said.

The report, however, only took note of Japan's housing cost target as a Japanese effort, not as a new commitment, they said.

Japan earlier announced the target to lower home prices to less than five times the average annual salary as part of its new five- year economic program to improve the quality of life.

The U.S. has urged Japan to specify the target as a new commitment, saying it will help expand domestic demand.

The Japanese negotiators stressed that quoting the target does not mean a commitment to the U.S.

"(The report) only mentioned our prior commitment relating to land use," said Koichiro Matsuura, deputy foreign minister.

Asked about the expanding bilateral trade imbalance, U.S. Assistant Treasury Secretary Olin Wethington said at a press conference, "We are not discouraged by year-to-year fluctuations in the current account situation." He did, however, acknowledge that the imbalance is great.

The SII process was launched from a middle- and long-term perspective, not for short-term results, Wethington said. The U.S. welcomes Japan's intention to introduce this fall a substantial supplementary budget package, the negotiators said.

"Our concern at this moment is that the intention be implemented, that the measures are taken early and that they are a real and effective increase in expenditure of public works investment," U.S. Deputy Trade Representative Michael Moskow said.

For its part, the U.S. committed for the first time to reviewing its health care system with a view to reducing high medical expenses, they said.

The U.S. also promised to review its job layoff system and large salaries for corporate executives, and to set up a long-term export expansion plan, among other things, they said.

The follow-up meeting was aimed at reinvigorating the SII process as promised by Prime Minister Kiichi Miyazawa and U.S. President George Bush in January.

Much has yet to be done, however, by both sides to accomplish goals agreed to in June 1990 to eliminate trade barriers.

The U.S. has not much reduced its fiscal deficit, while Japan has resisted reforming its legal system and has a whopping trade surplus with the United States.

The two nations were supposed to issue the second annual report Wednesday, but held it over until Thursday morning because the meeting continued until after midnight over differences in the wording.

Miyazawa Suggests Expanding Ties With Russia

OW3007103092 Tokyo KYODO in English
1017 GMT 30 Jul 92

[Text] Tokyo, July 30 KYODO—Prime Minister Kiichi Miyazawa suggested Thursday that the Japanese forge deeper ties with ordinary Russians to lay the ground for resolving a thorny territorial issue, Foreign Ministry officials said.

Miyazawa made the appeal in an interview with Russian television to be broadcast in advance of Russian President Boris Yeltsin's visit here slated for mid-September.

The television team was invited here by the Foreign Ministry as part of a publicity effort to make Japan's views better known to the Russian people.

"Since the prewar period, Japanese people, and not only intellectuals, have felt a closeness to Russia through Russian literature and music," Miyazawa was quoted as saying.

"Now Russia shares our values. I hope to deepen our sense of intimacy, and work toward resolving the territorial issue," Miyazawa said, predicting "historic talks" with Yeltsin.

Miyazawa declined to respond directly when asked whether the visit would be considered a failure if there are no new developments over the territorial issue.

"I strongly hope that Yeltsin will make a courageous decision during his trip to Japan and there will be some progress" on the dispute, Miyazawa was quoted as saying.

Earlier in the day Miyazawa told visiting former French Premier Michel Rocard that "conditions do not necessarily permit" optimism on arriving at a solution to the 47-year-old diplomatic problem.

The remark followed reports of heated debate among Russian legislators earlier this week over how Yeltsin should address Japan's claim to four islands off Hokkaido.

Japan has long demanded their return, saying they were illegally occupied by the Soviet Union at the close of World War II.

Russia's acknowledgement of Japanese sovereignty over the islands is a precondition for making available full-scale economic aid.

Miyazawa stressed in the interview that, following the collapse of communism, Russia and the group of seven (G-7) major Western industrialized nations have come to share similar values in areas such as market economy and democracy.

Not 'Optimistic' on Northern Territories

OW3007081692 Tokyo KYODO in English
0808 GMT 30 Jul 92

[Text] Tokyo, July 30 KYODO—Prime Minister Kiichi Miyazawa told visiting former French Premier Michel Rocard on Thursday he is not necessarily optimistic over working out an early solution to Japan's territorial dispute with Russia, Foreign Ministry official said.

Asked by Rocard whether he was hopeful about resolving the island dispute in view of Russian President Boris Yeltsin's upcoming visit here in mid-September, Miyazawa was quoted as replying "conditions do not necessarily permit me to be optimistic."

The remark follows reports of heated debate among Russian legislators earlier this week over how Yeltsin should address Japan's claim to four islands off Hokkaido.

While the Russian Foreign Ministry has advocated the return of four islands, some legislators have said any reversion of land is unacceptable, and suggested Yeltsin's visit be postponed.

Miyazawa also urged Rocard to press for the early construction of a Japanese cultural center in Paris, agreed to 10 years ago.

Construction has been held up due to lack of budget and a suitable site.

Rocard said he would convey the request to the French government.

The former French premier is midway through a private trip to Asia that is taking him to China, Taiwan, Hong Kong, Australia, New Caledonia, and Tahiti, where he is to visit his daughter.

Former Prime Minister Tanaka To Visit PRC

OW2807120092 Tokyo KYODO in English 1126 GMT 28 Jul 92

[Text] Niigata, July 28 KYODO—Former Prime Minister Kakuei Tanaka will visit China for five days at the end of August to celebrate the 20th anniversary of the normalization of Sino-Japanese relations, his daughter said Tuesday.

Makiko Tanaka told a press conference in Nagaoka, Niigata Prefecture, that she went to Beijing this month to set the schedule of the visit.

She refused to elaborate on the trip, citing security reasons.

Tanaka, who was convicted in 1983 on bribery charges in connection with the 1970s Lockheed payoff scandal, has stayed out of the public eye since he was partially disabled by a stroke he suffered in February 1985.

Sources close to Tanaka said the 74-year-old former prime minister has already obtained a passport from the Foreign Ministry and permission to travel abroad as required from the supreme court, where he is appealing his conviction that carries a four-year prison sentence.

Chinese Communist Party chief Jiang Zemin invited Tanaka to China when he visited his Tokyo home in April.

Tanaka is highly regarded in China because the two countries restored diplomatic ties in September 1972 when he visited Beijing as Japan's prime minister.

He became the country's youngest leader in 1972 but resigned in 1974 after being implicated in shady land deals.

Also Tuesday, Tanaka regained the position of chairman of the Nagaoka-based bus service company Echigo Kotsu, in which he is a major shareholder, at a general meeting of shareholders.

He was dismissed as company chairman in 1990.

Senior Diplomat Dispatched to South Africa

OW3007081992 Tokyo KYODO in English 0750 GMT 30 Jul 92

[Text] Tokyo, July 30 KYODO—Japan said Thursday it will send a senior diplomat to South Africa next week to try to reconcile the white government and the African National Congress (ANC).

Takeshi Ohara, director general of the Foreign Ministry's Middle Eastern and African Affairs Bureau will arrive in South Africa on Monday, ministry officials said.

On Tuesday, he will begin what ministry officials described as a round of "quiet diplomacy" in a behind-the-scenes attempt to encourage a resumption in relations between the government of F.W. De Klerk and the ANC led by Nelson Mandela.

Relations between the black majority and the white government had been improving, with De Klerk vowing to end South Africa's apartheid system of racial separaion and releasing Mandela after more than a quarter-century in jail.

But the seeming cordiality broke down after the ANC suspended negotiations with the government over a massacre of 42 blacks in Boipatong on June 17.

The United Nations Security Council passed a resolution July 16 calling for a speedy resumption of negotiations.

UN Secretary General Butrus Butrus-Ghali dispatched former U.S. Secretary of State Cyrus Vance as a special envoy to Pretoria to help restore relations between the two sides.

Ohara will return via Britain where he will discuss Southern and South Africa and Southern Africa with British Foreign Office officials [sentence as received].

Kakizawa Meets James Baker, Yi Sang-ok in Manila

OW2607111792 Tokyo KYODO in English 1053 GMT 26 Jul 92

[Text] Manila, July 26 KYODO—South Korean Foreign Minister Yi Sang-ok hinted Sunday at Seoul's anxiety over Japan's move to send ground troops overseas for the first time since World War II.

Yi told Japanese parliamentary Vice Foreign Minister Koji Kakizawa that South Korea "knows of Japan's efforts to dissipate concern among its neighbors" over the move, but stopped short of showing understanding, a Japanese spokesman said.

Japan passed a law in June allowing its Self-Defense Forces to join United Nations peacekeeping operations, starting with noncombat units to be dispatched to Cambodia later this year.

Kakizawa expressed Tokyo's apology and remorse toward the sufferings of Korean women sent to the front lines to provide sex to Japanese soldiers during the war, the spokesman said.

Yi voiced hope that the issue will be resolved in a way satisfactory to the two nations, he added.

Kakizawa later met briefly with U.S. Secretary of James Baker after they attended a press conference with colleagues from the Association of Southeast Asian Nations

(ASEAN) and its major trading partners at the end of a meeting between the two sides.

Baker told Kakizawa he believes that when Russian President Boris Yeltsin visits Tokyo in September, he will offer something to help resolve a longstanding bilateral dispute over four Russian-held islands off northern Japan, the Japanese spokesman said.

The dispute over the islands, which the Soviet Red Army seized at the end of World War II, has prevented Tokyo and Moscow from concluding a peace treaty despite many years of negotiations.

Baker suggested Japan step up political and economic cooperation in the Asia-Pacific region to produce a climate in which Russia finds it easier to settle the dispute, the spokesman said.

Government Announces Foreign Trade Zone Plan

*OW2907114492 Tokyo KYODO in English
1124 GMT 29 Jul 92*

[Text] Tokyo, July 29 KYODO—The government revealed Wednesday its plans for establishing foreign trade zones in Japan hoping it would contribute to boosting the nation's import and direct investment from overseas.

Officials said in August they will inquire at local government bodies eying for zones in their districts, and possibly select five areas as the first group of zones in September.

Cities and towns that already have ports and airports, or those that will be ready in the near future, qualify to be designated as foreign trade zones.

Local bodies wishing to be candidates are required to report to the government on projections of how the imported goods will be handled, when the effects of such promotion are likely to appear, and information on facilities like distribution bases and bonded warehouses.

The Ministry of International Trade and Industry, the Ministry of Transport, the Ministry of Agriculture, Forestry, and Fisheries, and the Ministry of Home Affairs will be accepting the reports. the officials said.

Joint enterprises, participated in by both the public and the private sectors, of local governments with zones within their boundaries will be able to receive various financial support, including interest-free loans, from the government, they said.

Venture With PRC To Explore Bohai Oil Fields

*OW2907141192 Tokyo KYODO in English
1356 GMT 29 Jul 92*

[Text] Tokyo, July 29 KYODO—A Sino-Japanese joint venture will explore two offshore oil fields in Bohai bay jointly with a Chinese state-run oil company, sources close to the tie-up said Wednesday.

Japan-China Oil Development Corp. will start test drilling as early as this year, with financial assistance from China National Offshore Oil Corp. (CNOOC) and a Japanese consortium consisting of five oil exploration companies.

The project, estimated to cost 600 million yen, will develop BZ35-2 and CFD21-2 concessions, located near western and southern fields already explored.

If the test drilling proves successful, crude oil produced at the fields, with estimated reserves of more than four million tons, will be divided equally between the two countries.

The bilateral joint venture, consisting of 48 companies including the governmental Japan National Oil Corp., has developed three oil fields in Bohai Bay since the Chinese government opened mining areas and oil fields in that region in 1987.

But the partnership has plunged into financial difficulties as profits from the three fields, which are producing only one million tons of crude annually, are so small that it is uncertain whether the company can recoup its 1 billion dollars in investment costs.

The planned exploration, the sources said, is likely to serve the interests of both the tie-up, which wants to improve its financial health, and the Chinese government, which is facing a rapidly increasing demand for crude oil.

LDP Panel Approves Tax Break on Investments

*OW3007105592 Tokyo KYODO in English
1036 GMT 30 Jul 92*

[Text] Tokyo, July 30 KYODO—A panel of the ruling Liberal Democratic Party (LDP) approved plans Thursday for the government to implement a tax break on business investments as part of pump- priming measures, LDP officials said.

They said the approval was given at a top-level meeting of the LDP's Tax System Research Commission.

Commission Chairman Kabun muto told reporters the Finance Ministry And other government offices will be asked to hold consultations on the proposed tax break, which is intended to promote business investments for cost reduction and labor saving.

He suggested the tax break, exceeding 10 billion yen in scale, should be announced in an official notice by the finance minister on or around October 1.

A tax break is already offered on investments on high-tech equipment for energy conservation, labor saving, cost reduction, and basic technical research.

The LDP officials said consideration will be given to wider applications of the tax break.

They said the meeting also agreed to start studies in October on revising the tax system on stock capital gains and on real estate properties as part of an overall tax reform to be implemented at the end of this year.

North Korea

South Makes Discussion of Issues 'Impossible'

SK3007111492 Pyongyang KCNA in English 1056 GMT 30 Jul 92

[Text] Panmunjom, July 30 (KCNA)—The third contact of members of the Political Subcommittee of the North-South high-level talks was held behind closed doors at the conference room of the Neutral Nations Supervisory Commission here today.

According to a news briefing given by the member of the North side, the North side recalled at the contact that the South side, still setting the "nuclear problem" as a precondition, was not only putting the brake on the development of the North-South relations and on the drafting of an annexed agreement but also inciting distrust and confrontation between the North and the South contrary to the basic spirit of the North-South agreement and to the desire of the fellow countrymen.

It charged that the South side was making it impossible to smoothly discuss the basic issues at all North-South dialogues including talks at the political subcommittee and plunging into a pitfall the exchange of old parents' visiting groups and art troupes arranged with so much difficulty by bringing forward the "nuclear problem" which offers no problem and arguing that "the North-South economic cooperation cannot make progress" unless it is resolved. The North side took a serious view of preparations the South side is making to stage a war exercise dubbed "Focus Lance" against the North, its dialogue partner, in league with outside forces at a time when multi-channeled dialogues are under way between the North and the South. It suggested specifying in the annexed agreement a clause stipulating that neither the North nor the South shall involve itself in or collaborate in foreign force's interference in the internal affairs of the other side. But the South side stubbornly objected to it.

The South side also took exception to the North side's proposal to specify that all the press organs, governmental or nongovernmental, shall refrain from hurling abuses at the other side by any means and methods, saying the nongovernmental press cannot be controlled.

The North side urged the other to approach the discussion of the annexed agreement with sincerity, stressing that the discussion could be made successful only when they adhere to the principle of attaching primary importance to the nation and the agreement between the sides and give up the concept of freezing the status quo.

The sides agreed to have the fourth contact of members on August 5.

Japan Must 'Repent of Her Past Wrongs'

SK2607094692 Pyongyang KCNA in English 0828 GMT 26 Jul 92

["The Same Method Under Different Signboard"—KCNA headline]

[Text] Pyongyang, July 26 (KCNA)—If Japan wants to make an "international contribution" and win "international confidence", she must, first of all, sincerely repent of her past wrongs and clearly liquidate them and convince the international community that she would not repeat them, urges NODONG SINMUN in a commentary today.

Noting that the Japan Defence Agency recently chartered a new "White Paper on Defence", the analyst says:

The White Paper which will be formally published next month contains a special chapter "International Contribution and the Self-Defence Forces [SDF]" which stipulates that the "SDF" may make an "international contribution" and that the overseas dispatch of the "SDF" is important for Japan to win "international confidence."

The "White Paper on Defence" graphically shows the military stance of Japan to set about overseas expansion in real earnest. The so-called "international contribution", "international confidence" and the like are a sophism to justify the overseas dispatch of the Japanese armed forces.

In the past the "Imperial Army" had taken the road of the aggression on Asia, fluttering the sun flag, under the signboard of "Oriental peace," and today the "SDF", its descendant, is trying to realize its old dream of the "greater East Asia co-prosperity sphere" under the U.N. flag with the slogan of "international contribution".

The Japanese authorities are trying to whet the new sword of aggression behind the scene after apologizing with a few ambiguous words.

This means that they are going to repeat the history of crimes.

All the more serious is that the armed forces of Japan are going to be equipped with nuclear weapons. This is fully manifested in the fact that Japan is going to produce, introduce and stockpile more nuclear materials than necessary.

Japan is intending to purchase 40 tons of plutonium till the year 2010 and thereby store up a total of 85 tons which is sufficient to produce tens of thousands of nuclear weapons. It is a strategic aim of Japan to turn herself into a military power, a nuclear power.

Japan which had suffered a nuclear disaster and bitter defeat in the war must not be oblivious of the lesson of history.

Russia's Plans To Honor Assistance Treaty Noted

*SK3007105292 Pyongyang KCNA in English
1037 GMT 30 Jul 92*

[Text] Moscow, July 28 (KCNA)—The Russian Foreign Ministry issued a statement on July 28 refuting the argument of the South Korean "Defence Ministry" spokesman that the treaty of friendship, cooperation and mutual assistance signed between the former Soviet Union and the DPRK in 1961, or the military provisions of the treaty should be abrogated, ITAR-TASS reported.

An attempt to instruct Russia how to establish relations with other countries is intolerable, said the statement.

It declared that Russia, as the heir to the Soviet Union, assumes all the obligations of the Soviet Union under international treaties and agreements.

It said: there is no doubt that this norm also applies to the treaty with the DPRK. This treaty is still wholly effective, remaining an important element of military and political stability on the Korean peninsula.

Soldiers Commemorate PRC Army Anniversary

*SK2907055692 Pyongyang KCNA in English
0451 GMT 29 Jul 92*

[Text] Pyongyang, July 29 (KCNA)—A soldiers' meeting was held at the unit of the Korean People's Army to which Comrade Cho Myong-son belongs on July 28 on the occasion of the 65th founding anniversary of the Chinese People's Liberation Army.

General Chon Chae-son and other generals, officers and soldiers of the unit were present at the meeting.

Chiang Zhengcai, charge d'affaires ad interim, and Yin Guangtao, military attache, and officials of the Chinese Embassy here, were invited.

Speeches were exchanged at the meeting.

Kim Il-song Receives Notes From 'Arafat, Others

*SK3007052292 Pyongyang KCNA in English
0408 GMT 30 Jul 92*

[Text] Pyongyang, July 30 (KCNA)—Solidarity messages and letters came to the great leader President Kim Il-song from foreign party and state leaders on the occasion of the month of international solidarity with the Korean people and the 20th anniversary of the publication of the July 4 North-South Joint Statement.

They came from Yasir 'Arafat, president of the state of Palestine and chairman of the Executive Committee of the Palestine Liberation Organization; H.S. Surjeet, general secretary of the Central Committee of the Communist Party of India (Marxist); Guzman Rivera Castanera, general secretary, and Nicolas Sinche Cerrutti, international secretary, of the Revolutionary Socialist Party of Peru; and Antonio Aranibar Guiroga, chairman of the National Executive Committee, and Alfonso Alem Rojo, international secretary, of the Liberal Bolivia Movement.

They hailed the 20th anniversary of the publication of the North-South Joint Statement which clarified the three principles—independence, peaceful reunification and great national unity—and the adoption of the "Agreement on Reconciliation, Nonaggression, Cooperation and Exchange between the North and the South" and expressed solidarity for the efforts of the DPRK and the Korean people to found the democratic confederal republic of Koryo.

Various Groups Support Korean Reunification

*SK2907104992 Pyongyang KCNA in English
1004 GMT 29 Jul 92*

[Text] Pyongyang, July 29 (KCNA)—Voices supporting Korea's reunification are growing louder in various countries.

A meeting was held in Hanoi on July 22 under the co-sponsorship of the Vietnam-Korea Friendship Association, the Vietnam Committee for Supporting Korea's Reunification and the Afro-Asian People's Solidarity Committee of Vietnam on the occasion of the month of solidarity with the Korean people.

Speaking at the meeting, Nguyen Trung Hieu, vice-chairman of the Afro-Asian People's Solidarity Committee of Vietnam, said a new prospect was opening for the realization of the Korean people's desire for reunification with the start of high-level talks and the adoption of the agreement on reconciliation, nonaggression, cooperation and exchange and the Joint Declaration on Denuclearization Between the North and the South of Korea. These successes are results of the reasonable proposals and unremitting efforts of the DPRK, he said.

He reaffirmed support for the DPRK's efforts to ease the tensions, make the Korean peninsula a nuclear-free zone and create a favorable environment for national reunification.

The Benin Youth Union in a statement issued on July 20 on the occasion of the month of solidarity with the Korean people urged that the United States and the South Korean authorities should refrain from things that run counter to the Korean people's ardent desire for reunification and should accept an inspection of the nuclear bases and weapons in South Korea and not obstruct the implementation of the North-South agreement.

The Lome group for the study of the chuche idea in Togo issued a statement on the occasion of the 20th anniversary of the publication of the July 4 North-South joint statement, which said the most realistic and reasonable proposal for Korean reunification is the proposal for founding the Democratic Confederal Republic of Koryo based on the three principles—independence, peaceful reunification and great national unity—which was put forward by the great leader Comrade Kim Il-song. The three principles of national reunification constitutes the basis of Korean reunification, being the reunification principles common to the nation which was confirmed and declared by the North and the South at home and abroad, the statement stressed.

It expressed full support to the three principles of national reunification and held that the U.S. nuclear weapons must be withdrawn and nuclear bases dismantled in South Korea without delay so that the Korean peninsula may be denuclearized.

Envoy Meets Danish Queen; Delegation in Mali

SK2507103692 Pyongyang KCNA in English 1010 GMT 25 Jul 92

[Text] Pyongyang, July 25 (KCNA)—The Korean people's cause of national reunification is actively supported in foreign countries.

Margrethe, queen of Denmark, when she met the Korean ambassador who paid a farewell call on her, said Denmark hoped that the reunification of Korea would be realized peacefully in a democratic way through dialogue and negotiation between the North and the South to contribute to the world peace.

Preben Moller Hansen, chairman of the Danish Workers' Party, Common Cause, when he met the Korean ambassador, said that his party would as ever support the just cause of the Korean people to get the U.S. forces withdrawn and realize the reunification of the country by means of confederacy.

Today the Workers' Party of Korea has become a dignified party with a bright future and the Korean style socialism centered on the masses has been strengthened and developed to be an impregnable fortress which can never be destroyed because there is the wise leadership of the great leader and the Korean people are holding in high esteem Comrade Kim Il-song and Comrade Kim Chong-il with singlehearted loyalty.

Malian Prime Minister Younoussi Toure, when he met a Korean Foreign Ministry delegation, said that the Malian Government sincerely hoped that Korea's reunification would be realized according to a proposal to create confederation laid down by His Excellency President Kim Il-song and held that foreign troops and military bases should be withdrawn from South Korea.

Health, Medicine Cooperation Signed With Poland

SK2807122892 Pyongyang KCNA in English 1059 GMT 28 Jul 92

[Text] Pyongyang, July 28 (KCNA)—A plan on cooperation in public health and medical science between the Ministry of Public Health of the DPRK and the Ministry of Health and Social Security of the Republic of Poland was signed here today.

It was signed by Vice-minister of Public Health Choe Chang-sik and Polish Ambassador here Ryszard Baturo.

South Treatment of Pan-National Rally Viewed

SK3007103692 Pyongyang KCNA in English 1000 GMT 30 Jul 92

["Suppressive Offensive Against Pro-Reunification Patriotic Forces"—KCNA headline]

[Text] Pyongyang, July 30 (KCNA)—The South Korean authorities called "a meeting for measures on August 15 Pan-national Rally" at the "supreme prosecutor's office" on July 28. They blared there that they would "strictly deal with" the pan-national rally, the grand festival for reunification, etc. planned by the preparatory committee for the formation of the South side's headquarters of Pomminryon and Chondaehyop with August 15 as an occasion and "will arrest all the organizers of the functions", branding these functions as "obstacles to the creation of a sound climate for unification" and "activities sympathetic to the North's strategy to communize South Korea".

Commenting on this, a NODONG SINMUN analyst says:

Dismayed at the mounting movement for reunification in the North, the South and overseas, the South Korean authorities are trying to turn back the trend of the times with an anti-unification counter flow, but to no avail.

The pan-national rally, as indicated by its name, will be a grand festival of the nation in which our divided fellow countrymen will gather at one place and discuss ways of reunification, achieve national reconciliation by removing confrontation and distrust, and make peace settle down on this land, for peace and reunification of the country.

Pomminnyon is not an "organisation benefiting the enemy" as alleged by the fascist clique but an organisation of patriotic movement for reunification which rouses broad pro-reunification patriotic forces in a righteous struggle for national reunification by closely uniting them.

The South Korean authorities must know that, however desperately they may try, they cannot block the powerful grand march of the nation for reunification and immediately stop the suppression of the pro-reucification patriotic forces and allow the opening of the pan-national rally in Seoul.

A MINJU CHOSON analyst says that the South Korean authorities, while remaining reluctant to promote dialogues between the authorities, are trying to block even people-to-people dialogues under this pretext and thus throw chill over the desire of the nation for reunification and prolong division.

South Korea

Seoul To Join UN Sanctions Against Yugoslavia

SK3007085692 Seoul MAEIL KYONGJE SINMUN in Korean 30 Jul 92 p 1

[Text] Effective 1 August, export and import to the new Yugoslav Federation, including Serbia and Montenegro, which are now engaged in a war, will be totally prohibited.

On 30 July, the Ministry of Trade and Industry publicly announced a special measure on suspending trade in accordance with an 30 May economic sanctions resolution by the UN Security Council against the new Yugoslavian Federation. The Federation is currently involved in a civil war.

Areas falling under the trade boycott include the import of all goods which have the new Yugoslavian Federation as their origin or shipping port, and the export of all goods which have the new Yugoslavian Federation as their arrival port. Goods, including food and medical supplies for humanitarian purposes, and goods tentatively waiting to be transited are excluded.

Regarding goods which have received export and import licenses before the public announcement, the ministry decided to allow their export and import, so that the damage to these business circles can be minimized.

N-S Political Subcommittee Meets at Panmunjom

SK3007062192 Seoul KBS-1 Radio Network in Korean 0500 GMT 30 Jul 92

[Text] Today at Panmunjom, North and South Korea had the second contact of delegates of the Political Subcommittee to the North-South high-level talks. At the contact, the two sides negotiated the settlement of the annexed agreement for the reconciliation part of the North-South basic agreement.

At the contact, in connection with the issue of ceasing slander and vilification against the other, the North side proposed that neither government-run media organs nor civilian-run media organs be allowed to abuse and slander the other side. However, our side opposed the proposal.

Our side clarified its stance that those groups that should have to cease slandering and vilifying should be limited only to public organizations, such as government organs, political parties, and media organs under public management, so that the freedom of speech is not infringed upon.

Our side also proposed the formation of a working-level consultative meeting for ceasing slander and vilification under the joint North-South reconciliation committee to verify the implementation of the cessation of slander and vilification. The North side, however, shelved the discussion of this problem, proposing that it be discussed when the joint North-South reconciliation committee is formed in the future.

Subcommittee To Meet Again 5 Aug

SK3007095292 Seoul YONHAP in English 0920 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—South and North Korean officials met at at the truce village of Panmunjom Thursday [30 July] to discuss the contents of a proposed auxiliary accord to facilitate inter-Korean reconciliation.

But neither side would budge an inch and no progress was made.

The members of the South-North Political Subcommitee concentrated on ironing out differences on items related to non-interference in internal affairs and desistence from mutual slander and defamation.

North Korea insisted that all media, public and private, and public organizations should desist from all acts of defamation against each other.

The South rejected the idea on the ground that it would violate the freedom of the press.

The two sides decided to have another contact at Panmunjom on Aug. 5 to carry on the discussion.

South, North To Open Ports for Direct Shipping

SK3007023992 Seoul YONHAP in English 0103 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—South and North Korea have agreed that the South will open its ports of Inchon and Pohang to direct shipments from North Korea, and the North will open Nampo and Wonsan ports to shipments arriving directly from the South, officials at the Korea Maritime and Port Administration (KMPA) said Thursday [30 July].

The agreement came in the sixth meeting of the Subcommittee for Exchange and Cooperation at the truce village of Panmunjom on Tuesday [28 July].

South Korea had asked the North to open Nampo on the west coast and Chongjin on the east, and offered to open Mokpo and Kunsan on the west coast and Tonghae and Pohang on the east coast.

North Korea wanted the South to open Inchon and Pusan, and offered to open Nampo and Wonsan.

After some discussion, the two sides concluded that there was no alternative to Nampo and that Inchon could be opened because crowding in the port was showing signs of easing.

North Korea objected to opening Chongjin because it has military facilities clustered there and offered Wonsan instead, KMPA officials said.

South Korea dropped Pusan because of serious congestion there and ruled out Tonghae as transportation from the port is difficult.

Nampo can berth a 20,000-ton vessel and its annual stevedoring capacity is 8 million tons. A 10,000-ton vessel is the largest that Wonsan, with an annual capacity of 1.7 million tons, can accept. Neither North Korean port has container cranes.

Of the eight North Korean ports open to international trade, only Hungnam has a 10-ton crane.

When sea routes are established between South and North Korea, therefore, only freighters of less than 10,000 tons will be used, the officials said.

ROK, Russia To Step Up Military Exchanges

SK3007045392 Seoul YONHAP in English 0257 GMT 30 Jul 92

[Text] Moscow, July 30 (YONHAP)—South Korea and Russia have agreed to pursue military exchanges at the same level as political and economic exchanges, actively pushed since they normalized ties.

After winding up an official visit here Wednesday [29 July], Gen. Song Ung-sop, first vice chairman of the South Korean Joint Chiefs of Staff said he and Russian military officers reached an agreement that their countries would promote exchange visits of working-level defense officials and develop them into high-level visits.

Both sides will invite observers from each other to various military drills, including ground exercises, and exchange visits by national defense college personnel and naval academy cadets, Gen. Song told YONHAP.

The full-star general said First Russian Deputy Defense Minister Gen. Kokoshin would come to South Korea at his invitation after Russian President Boris Yeltsin visited Seoul this year.

He would invite six to seven senior Russian officers from the army, navy and air force next year to attend the Armed Forces Day ceremony, he said.

Korea had no plan to purchase weapons from Russia for the present but it was trying to introduce Russian technology for development of the defense industry, he said.

The general said he had stressed in talks with Russian military officers, including his Russian counterpart, Mikhail Kolesnikov, that the existing Russian military alliance treaty with North Korea was contradictory to the South Korea-Russia basic treaty to be signed during Yeltsin's visit to Seoul.

"I told them that, from a military officer's view, a few of the clauses in the pact with North Korea should be amended in accordance with the current circumstances," Song said, adding that the Russian officers didn't respond.

He asked them not to sell offensive weapons to North Korea and asked them to understand South Korean efforts for inter-Korean nuclear inspections, he said.

The Russian military leaders told him they supported South Korea on those issues, and showed a willingness to supply South Korea with documents related to the Korean war, Song said.

Trade With CIS, Socialist Countries Increases

SK3007042692 Seoul YONHAP in English 0158 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—South Korea posted a 4 million-U.S.-dollar surplus in northern trade in the first five months of the year, its long-awaited taste of black ink after 14 months of red, officials at the Trade and Industry Ministry said Thursday [29 July].

Export turnover was 1,972 million dollars and imports 1,968 million dollars for January-May.

The trade deficit with China slimmed down to 141 million dollars from 413 million dollars in the same period last year, and the deficit with the Commonwealth of Independent States (CIS) slid to 23 million dollars from 117 million dollars.

The trade surplus with Vietnam rose from 33 million dollars to 128 million dollars, all breathing new air into northern trade.

As exports expanded 45.2 percent, double the import gain of 22.8 percent, the upbeat trade tune is expected to play on. The hope that South Korea will resume economic aid of the CIS adds to the bright future for trade with northern nations, they added.

Japan, ROK To Study U.S. Antitrust Law

SK2807105592 Seoul YONHAP in English 0754 GMT 28 Jul 92

[Text] Seoul, July 28 (OANA-YONHAP)—South Korea and Japan will jointly study the economic repercussions of the U.S. anti-trust law, strengthened in April, Foreign Ministry officials said Tuesday [28 July].

Yi Chang-ho, director-general of the Treaties Bureau, talked with his Japanese counterpart, Minoru Tamba, in Tokyo last week and they exchanged information on the law and its application to other countries, the officials said.

"The U.S. law targets mostly Japan, Canada and the European Community. It was never applied on South Korea," Yi said.

"But we agreed to continue information exchange on the matter to study its possible effect in trade with the United States," he said.

The two sides picked the agenda after the United States added force to the law in a regulation April 3, officials said.

A Japanese delegation is visiting Canada and the European Community for similar talks and has promised to brief Korea on the results of its visit, they said.

Exports to U.S. Decrease, to ASEAN Increase

SK3007022092 Seoul YONHAP in English 0030 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—Exports to South Korea's three major overseas markets fell 5 percent and sales to other regions rose 25.2 percent in the first five months of the year, according to a report issued by the Korea Foreign Trade Association (KFTA) Thursday [30 July].

The United States took 23.7 percent of Korea's exports in January-May, down from 25.8 percent in the same period last year, Japan took 15.5 percent, down from 17.2 percent, and the EC took 12.6 percent, down from 13.5 percent. As a whole, exports to the three markets declined from 56.5 percent of the total to 51.8 percent.

Meanwhile, exports to members of the Association of Southeast Asian Nations (ASEAN) rose from 9.9 percent of the total in the first five months last year to 11.5 percent this year, and sales to the Middle East and Central and South America increased from 4.6 percent and 4 percent to 5.1 percent and 4.7 percent, respectively.

Northern countries increased imports of Korean goods by 1 percentage point to 4.3 percent in January-May.

Exports to ASEAN countries totaled 3.40 billion U.S. dollars for the period, right on the heels of the 3.74 billion dollars to the EC. Should the trend continue, the ASEAN region may well become South Korea's third most important market.

ROK, PRC Agree To Expand Sports Exchanges

SK3007042392 Seoul YONHAP in English 0251 GMT 30 Jul 92

[Text] Barcelona, July 29 (YONHAP)—South Korean Sports and Youth Minister Yi Chin-sam has agreed with his Chinese counterpart, Wu Shaozu, to expand sports exchanges between the two countries.

And Wu asked Yi to actively support China's bid for the 2000 summer Olympics.

On hand at Yi-Wu meeting on Wednesday [29 July] were Kim Un-yong and He Zhenliang, the Korean and Chinese vice presidents of the International Olympic Committee (IOC).

Appointment Power for Defense Minister Approved

SK3007024592 Seoul YONHAP in English 0125 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—The cabinet approved an amendment Thursday [30 July] that transfers the right to appoint the chiefs of the National War College, Defense Leadership Institute and Army War College from the president to the defense minister.

The amendment to the implementation decree of the Military Personnel Law also allows the defense minister to take over the right from the president to appoint general-grade military attaches.

It stipulates that the number of members of the Committee for Screening Promotions of Officers be increased from seven to 21 with the quorum remaining three.

Prosecution Declares 'Pan-National Rally' Illegal

SK2807110792 Seoul YONHAP in English 0520 GMT 28 Jul 92

[Text] Seoul, July 28 (YONHAP)—The prosecution has declared the Third "Pan-National Rally," scheduled for Aug. 12-17 illegal and decided to use all available means to prevent the rally from taking place.

The prosecutor general's office told a meeting of public security officials, officers of the Agency for National Security Planning and the police to take legal action against everyone involved in the gathering "promoted by North Korea in an effort to communize South Korea."

The organizers say the rally will be held in Seoul attended by Koreans from abroad and both sides of the peninsula.

Under the National Security Law, Pomminnyon (the Pan-National Alliance for Democratic Reunification) and other groups pushing the rally were "benefitting the enemy," prosecutors said, and so they would prosecute the central figures of the groups and all those involved in marches and celebrations connected to the rally.

Since the arrest July 4 of three people involved in planning the rally, prosecutors have been on the trail of five other key figures with arrest warrants they had already obtained from the court.

A prosecution source said that the pan-national rally was a political propaganda to cause a communist revolution in South Korea.

Thirteen people were arrested for organizing the previous two pan-national rallies, three for the first rally in 1990 and 10 for the second rally in 1991.

Minister on 'Political Influences,' Business

SK3007080492 Seoul YONHAP in English 0504 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—Information Minister Son Chu-hwan said Thursday [30 July] that the government would try its best to detach industrial activities from political influences to get them on a normal track.

Son told a luncheon meeting hosted by the Seoul Foreign Correspondents' Club that the national economy, sacrificed in the swirl of rapid democratization, liberalization and internationalization for five years, should regain liveliness.

Efforts were needed to make South Korea an advanced democratic country by realizing a peaceful power transfer once again next year in the example of February 1987, the information minister said.

Concerning regionalism, Son said it was high time everyone lowered his voice and fulfilled his duty without complaint.

The government would step up its considerations for the estranged class and do its best to solve social conflicts, he said .

President No Tae-u's major achievements were democratic development, sustainable economic development and nordpolitik, Son said, stressing that No's June 29 declaration in 1987 was a starting point for the democratization of Korea.

Debate over legitimacy, which had brought confusion and distortion to Korean politics, disappeared during No's reign, he said.

Forty years of authoritarian rule was ended by No's fulfilling his promises.

Turning to inter-Korean relations, Son said South Korea came to seek new cooperative measures with North Korea and had barred attritional ideological disputes and cold-war confrontations.

Bank of Korea Head Discusses Government Controls

SK2807041692 Seoul HANGUK KYONGJE SINMUN in Korean 20 Jul 92 p 5

[Text] On 19 July Cho Sun, president of the Bank of Korea [BOK] stressed that our economy should seek stability in the macroscopic perspective and structural reform in the microscopic perspective. To achieve this end, he said various government controls hindering enterprise activities should be abolished or rectified.

BOK President Cho Sun made these comments in his keynote speech entitled "The Task and Future Road of the ROK Economy With the Approach of the 21st Century," at a summer seminar at the Cheju Shilla Hotel under the auspices of the Korean Production Center. He stressed that only when the people of all strata follow the right path, renouncing their own interests, can South Korea become an advanced country.

The ROK economy should seek stability in the macrospcopic perspective and sutructual reform in the microspcopic perspective. Despite efforts by the government, business circles, and the people, economic stability has not been satisfactory, and complete structual reform has not been achieved.

If we resort only to an easy-going method in solving today's difficulties in our economy and disregard its institutional difficulties, our economy will become worse. The only way our economy can survive is for all of our people to renounce selfishness, to eliminate inflation by pooling their strength and displaying their patience, to eliminate the factors that cause prices to increase, to restore balanced development, and, thus, to increase productivity.

This is extremely difficult, however, in light of our economic realities in which our people's fixed ideas and vested rights have never changed. Therefore, our people should have renewed courage and renewed patience and should make a new start. Otherwise, they cannot restore our economy.

First, the government itself should make reforms. The government should work to make unproductive organizations and practices productive. The government's controls which hinder business activities should be abolished or rectified so that economic competition can take place smoothly and in a timely manner. At the same time, it is necessary to impose order and restrictions on those business activities and labor practices that run counter to national interests.

What is particularly important is to revitalize the manufacturing activities of small and medium enterprises. To enhance the international competitiveness of a country with a large population, such as ours, it is imperative to revitalize the manufacturing activities of many small and medium enterprises in various sectors, to promote technology, to encourage suggestions for new ways of manufacturing goods, to produce more new goods, and to train and foster able manpower.

To this end the government should not only abolish its various restrictions and regulations that hamper the business activities of small and medium enterprises, but it should also provide them with sufficient manpower and technological know-how.

To carry out the institutional reform of the economy, it is necessary to take steps to eliminate the trend toward the concentration of economic power. The reason for this is not to enhance a balanced economy, but rather to maintain the efficiency of the economy. To strengthen the national economy, it is imperative to strengthen big enterprises, as well as small and medium enterprises, so that they can back each other up and supplement each other for balanced development.

The liberalization or normalization of bank financing is also important. This is indispensable to eliminating inflation and increasing the productivity of the economy.

Our present banking and financial industry has been extremely distorted not only in its institutions but also in its operations. The availability of financing in our country, the artery of our national economy, has hardened and lost flexibility. The role of the bank financial institutions has sharply declined while the role of the nonbank financial institutions has increased. Under such a situation it is difficult for enterprises to gain vitality.

Innovation is the source of vitality in business activities. It has been difficult to be innovative because our small and medium enterprises have been shrinking. The financial organizations that supply funds to small and medium enterprises so that they can make innovations are the banks, not the nonbank financial institutions. Therefore, a policy that causes banks to shrink and nonbank financial institution to expand is basically an anti-innovation and anti-small and medium enterprise policy. The reason small and medium Japanese enterprises are very powerful today is because Japanese banks support them well.

One of the reasons banking markets in our country have been distorted and have failed to fulfill their inherent functions in adjusting the supply of and demand for funds is the high bank interest rate. The high interest rate has been caused by inflation and excessive demand for money. The way to lower the interest rate is to reduce the anticipation of inflation and to eliminate the excessive demand for funds. In order to eliminate the expectation of inflation, it is imperative to move forward with an anti-inflation policy in the financial and banking sectors. In order to eliminate the excessive demand for funds, it is imperative to eradicate the spirit of speculation gripping both enterprises and people and to implement a policy that discourages reckless business expansion.

The factor clouding the future of our economy is the people's lack of enthusiasm and the egotism of trying to secure their share, a trait that is being discovered in people of all strata. In particular, our political, social and economic leaders have tended to be stingy with "their moral obligation as leaders." As a result, our society has been exposed to corruption. This has clouded our economy and the future of our country as a whole.

If and when our leaders are engaged in flattering each other, if and when intellectuals delude the world and deceive the people, and if and when scholars become academic flatterers, there will be no justice in the press nor will politics follow the right path.

With the approach of the 21st century, our economy is now standing at the crossroads of success or failure. The challenges facing our economy are not due to external factors but to the institutional condradictions existing within our economy.

Frankly speaking, we cannot say that our country has been sincere in coping with such challenges. Where should we go? In a nutshell, we should travel the road to becoming an "advanced country." What should we do? We should step onto a correct path which is based on a sound theory. We can say that no minimum national consensus has been achieved about the correct path we should travel. Distorted theories, not sound theories, run rampant. The greatest factor causing these prevailing distorted theories is that all of our people give priority to individual interests over public interests.

No country achieves good fortune by accident. Only when the people of that country demonstrate an intellectual power [chiryok] that enables them to advance along a righteous path in seeking a sound theory, can that country gain good fortune.

"Intellectual power" means the ability of a country's leading class to formulate a righteous path without pursuing personal interests and to lead the people along that path. This phrase also means the ability of the people to advance along the righteous road by trusting their leading class and by discarding self-interest.

No one can say that this kind of intellectual power is being demonstrated in our country. Although some efforts have been made to improve the economic condition, progress is very slow. Under this situation, challenges prompted by changes in the international situation have become fiercer and more severe. In spite of inflation and a deficit in international payments, all economic forces are in a heated and desperate competition to increase their own shares. Sound theories and reasonable principles that follow the righteous road have not been formulated.

We should begin now to advance along the righteous road with the determination to start anew. This is the only way we can become an advanced country.

Foreign Exchange Control Regulations Relaxed

SK2707151692 Seoul YONHAP in English 1021 GMT 27 Jul 92

[Text] Seoul, July 27 (YONHAP)—Companies advancing overseas will be able to use credit loans from institutions there without any hindrance and to borrow more foreign money with guaranty from September.

The ceiling on prepayment from importers prior to shipment will be increased under revised foreign exchange control regulations unveiled Monday by the Finance Ministry.

The ceiling on advance payment was changed to 2 percent of the annual export performance or 20 percent of the deal regardless of the size of the business. Now large businesses receive 1 percent of annual exports, medium companies 5 percent and small firms 10 percent.

Exporters can select the means of settlement expiring within three years from the present one year in a deferred-payment exports on letter of credits and the limit of money amount in exports on factoring will be abolished.

The revised regulations will drop a clause requiring Korean companies to hire Koreans and ease restraints on overseas construction and service businesses to the effect of lifting the ceiling on the foreign currency holdings from the present 3 percent of the remaining contract to 10 percent or 1 million U.S. dollars

Certificates of deposit (CD) and commercial paper (CP) may be issued in foreign financial markets and deposited at the resident account or foreign branch of a correspondent bank.

Personal remittance abroad reportable to the Office of National Tax Administration was adjusted to 500 U.S. dollars or more per case from over 10,000 dollars a year.

A family head can carry out up to 100,000 dollars and each member up to 50,000 dollars for settlement overseas. At present, a family may carry out a maximum 200,000 dollars.

The government will allow people who emigrate for investment purposes to take as much as foreign currency as required by the country, up from the current 300,000-dollar limit.

Companies' Applications To Invest in North Noted

SK3007094892 Seoul YONHAP in English 0854 GMT 30 Jul 92

[Text] Seoul, July 30 (YONHAP)—South Korean companies have applied to invest nearly 200 million U.S. dollars in North Korea since January, according to data released at the third working-level conference for expansion of inter-Korean trade Thursday [30 July].

Applications were filed to invest 199,381,000 dollars in the first half of the year, more than 13 times the 15 million dollars for all of last year.

By category, 15 applications were submitted to invest 63.68 million dollars in the textile sector, followed by three applications in the steel and polyvinyl chloride field for 60.1 million dollars, two in the timber industry worth 28.2 million dollars, eight in footwear for 18.42 million dollars, and two in the leather industry for 15.6 million dollars.

The Trade and Industry Ministry approved 31 of the 59 applications received in the first half of the year.

More on Direct Investment in North

SK3007023592 Seoul THE KOREA HERALD in English 30 Jul 92 p 8

[Text] South Korean companies listed on the Korea Stock Exchange are actively seeking to advance into North Korea, boosted by Deputy Premier Kim Tal-hyon's visit to Seoul last week, according to securities sources.

The number of listed companies wishing to make direct investment in North Korea amounts to 37. They include Daewoo Corp., Samsung Corp., Sunkyong and Hanjin.

Hanjin Co. is seeking cooperation with a North Korean commercial airliner.

Samsung Corp. is pushing to construct a textile mill at Chungjin industrial plot at a cost of $20 million, while seeking to export plants for socks, electronics and footwear.

Meanwhile, Sunkyong is pushing ahead with a plan to set up a wood processing joint venture at a cost of $1 million, along with the establishment of a $2.5 million marine products factory.

Goldstar Co. and Daewoo Electronics Co. are seeking to establish locally incorporated companies in North Korea, while Daelim Industrial Co. and Hyundai Construction Co. hope to take part in large-scale construction works in North Korea.

The government has approved contact with North Korean companies on 59 occasions including 15 in the textile sector and 8 in the footwear industry, in the first half of the year.

But real investment by South Korean firms in North Korea has yet to be made.

However, their advancement into North Korea is expected to sharply soar, if investment guarantee and double taxation avoidance pacts between the two countries are reached, securities sources said.

Civil Servants Warned Against Overseas Travel

SK3007023392 Seoul THE KOREA HERALD in English 30 Jul 92 p 2

[Text] Seventy-seven government workers face stern warnings and other disciplinary measures of overseas travel, in violation making travel regulations during the first six months of this year, the prime minister's office said yesterday.

Most of them are suspected of violating the planned travel periods, the office said.

Government employees, unlike ordinary Koreans, have to report to their supervisors whenever they go abroad. Otherwise, they face reprimands and, in particular cases, can be demoted.

Public officials as well as ordinary people are restricted from going on "unhealthy" tours such as hunting and golfing, the premier's office said.

The 77 officials are from the Ministries of Education, Home Affairs, Justice, Health-Social Affairs and Foreign Affairs, the Korea National Railroad, and the National Police Administration.

Meanwhile, only 313 government employees have filed plans for overseas travel during July and August to the premier's office, 75 percent less than last year's 1,275.

The main factors behind the decline are the strict punitive actions due against government officials who go abroad at will, the reduction in summer vacations from six days to four and the economic slump.

During the first six months of this year, 984,600 Koreans went overseas, an increase of 15.5 percent over the same period last year, but the rate of increase has slowed from 28.7 percent in 1990 and 18.9 percent last year.

No special chartered flights were allowed this year, in contrast to 29 private flights in the July-August period last year which carried 5,950 people to foreign destinations.

Average per-person spending on overseas travel was limited to $1,858 this year, down 8.9 percent from $2,039 last year.

The office said 20 planning and coordination officials met Tuesday [28 July] and decided to continue to curb "unhealthy" tours and "wasteful" overseas studies.

Some Koreans will, however, likely fly to Alaska to hunt, to Hong Kong and Las Vegas to gamble, and to Southeast Asia to golf.

A sizable number of students tend to enter colleges and other educational institutions in foreign countries not for serious studies but for sightseeing, the premier's office said.

In Korea, competition for entry into four-year colleges is so severe, many students seek admission to overseas schools.

Some eateries in foreign countries specialize in snake and bear soups, which are considered delicacies by Koreans. In Thailand and other Southeast Asian countries, many such restaurants and services catering to Koreans have shut down, due to the drop in the number of Koreans who frequent those places, according to the office.

It predicted that "luxurious" overseas travel by Koreans would continue to fall.

Koreans suspected of "immoral" travel tours are subject to tax audits. Tour operators arranging such tours also face the same punishment.

DP Opposes Patronage at State-Invested Businesses

SK2707103292 Seoul YONHAP in English 0509 GMT 27 Jul 92

[Text] Seoul, July 27 (YONHAP)—The opposition Democratic Party [DP] demanded Monday [27 July] the government abolish chairmen of the boards of state-invested institutions and stop making appointments based on personal connections and favors.

Bringing in outsiders as heads of corporations and institutions seriously damaged morale, and non-professional management also caused business losses, it said.

The outburst was the latest in a series of attacks since the government appointed former ruling party lawmaker Kwon Chong-dal chairman of the Board of Directors of the state-invested Korea Development Bank last week.

The appointment is widely taken as a payoff for Kwon's pulling out of a parliamentary race in March.

The protests grew after the government named former Vice Construction Minister Kim Tae-yong president of the state-financed Korea Institute for Industrial Economics and Trade on Saturday.

Kim had resigned as the vice construction minister, taking responsibility for a housing scandal early last year.

Naming such a person as president of the institute epitomised a government appointment system based on personal connections and lacking principle, a DP statement said.

* Japan's Passage of PKO Bill Signals New Era

922C0201A Seoul HANGUK KYONGJE SINMUN in Korean 17-19 Jun 92

[Article in three installments: "Passage of Japan's PKO Bill Signals a New Era and a New Asia"; first two installments written by reporter Kum Song-chol and the third installment by Professor Sin Hui-sok of the Foreign and Security Affairs Institute]

[17 Jun p 1]

[Text] The Japanese Diet at last passed the bill on peace-keeping operations (PKO).

Views on this bill, which has paved the way for dispatching of troops of the Japan Self-Defense Forces [SDF], are varied. Some segments of the Japanese public opinion are perplexed, but the neighboring Asian nations who experienced the aggression of Japanese militarism are all the more perturbed.

As far as the principle is concerned, there is no ground for opposition to the PKO bill because participation in the UN peacekeeping forces is an exercise of the sovereignty of each nation and clearly constitutes a national right.

Imagine how Asia and the world will react if Japanese troops are dispatched to civil war-torn Yugoslavia under the PKO law. The law could have different shades of meaning depending on the viewer. Some may view it relatively cooly from the standpoint of a third party.

For instance, in contrast to the sensitive reaction of Korea and other Asian countries to the passage of the PKO bill, the United States and European countries take it with composure and are even indifferent to it.

Seen from a historical perspective, the birth of Japan's PKO is in keeping with the needs of the times.

First, internationally, the PKO, an illegitimate son of Japanese militarism, has been born in the vacuum created by the termination of the cold war.

This vacuum was foreshadowed in "Operation New Look," a strategic plan drafted by the Chairman of the Joint Chiefs of Staff of the United States shortly before the outbreak of the Gulf war. The essence of this new military strategy looking toward the year 2000 is as follows:

1. The U.S. contingent of the NATO (North Atlantic Treaty Organization) forces will be reduced to a token force. The U.S. cavalry division stationed in former West Germany, which will be sent into the Gulf war, will be withdrawn to the United States as soon as the war is over.

2. In case North and South Korea are simultaneously admitted to the United Nation in the fall of 1991, nuclear weapons will be withdrawn from South Korea, and North Korea will possess no nuclear weapons in return.

3. The U.S. forces stationed in Japan will also be reduced to a token force level.

The vacuum created by the withdrawal of part of U.S. forces from Asia became more real when U.S. bases were closed sooner.

Second, the PKO is in keeping with the needs of the times because with the emergence of Japan as a major economic power, pressure has been brought from overseas to bear on Japan to play a greater international role; and, at the same, there has been self-reflection on the part of Japan on this score. Undoubtedly the feeling of humiliation Japan suffered during the Gulf war prompted the Japanese Government to push for the passage of the PKO bill. In addition, the global expansion of Japanese enterprises meshes well with the purpose of the PKO bill.

This Japanese logic and stance has some validity.

Viewed from the standpoint of neighboring Asian countries, however, this kind of justification misses something essential.

That something is not the consideration that the specter of old militarism will revive with activation of the PKO, but the omission of the procedure that should have preceded it.

The greatest blunder the allies committed in making the post-war settlement was that they passed by the task of clearly defining the status of the two fascist states, namely, Germany and Japan.

The case of Germany is different from that of Japan, however. Germany internally eradicated the remnants of Nazism and provided visible and invisible compensations and apologies to the neighboring states and peoples who were victimized by Nazism. On the contrary, Japan has periodically offered "apologies" as the need arose, but the apologies always ended up a "mere show" without substance. What is more important is not the depth or magnitude of the apologies or compensations which were offered in the past, but the total absence of explanation concerning the PKO plan. As long as there is no clear explanation and no indication of commitment, the neighboring countries' suspicions against Japan will persist and give rise to new tensions in Asia.

This is an age of change. We should not allow ourselves to be overly attached to the past, for we are in the period of historical transition in which we should search for ways to achieve common prosperity for all of Asia in the new international order. We have no room for dancing with the PKO. The PKO may be good for Japan. But Japan should rather stand in the van of such movements as the environmental protection movement and the APKO movement for the elimination of AIDS. By so doing, Japan will take its first step to building a new Japan and a new Asia.

[18 Jun p 1]

[Text] When it comes to any problem concerning the Japanese economy or a Japanese firm, the U.S. press is in the habit of scrutinizing even a minor issue and blowing it up. As far as the PKO bill is concerned, however, it has treated the news very lightly by being so stingy as to give an usually small space to the coverage of this bill.

The indifference of the United States was found its condensed expression in the catechistic 2 June editorial of THE NEW YORK TIMES.

In essence, the editorial said: "As far as the United States is concerned, there can be no complaint against Japan about actively using its vivacious energy to create military capabilities. Nevertheless, there is no need for Japan to proceed in a hurry in the face of the opposition in its neighboring countries and inside Japan."

Indifference is directly associated with irresponsibility and can be taken as a wrong signal by the interested parties.

This is not the first time the United States has shown an ambiguous attitude toward the issue of Japan's armament and the question of Asian security. The ambiguity in the U.S. attitude, however, has amplified the fears of Asian countries about the enactment of the PKO act.

Let us examine what happened in the military situation surrounding Asia in the period extending from the Malta conference to the enactment of the PKO law through the Gulf war.

The former Soviet Union was disbanded, and Russia has for now been dropped from the list of potential adversaries. The Russian military might in the Far East remains intact, and 7 million elite workers are employed in the military-industrial complexes in the Russian Federation.

With the vulnerability of SCUD missiles demonstrated in the Gulf war, demand in Third-World countries for Chinese-made medium-range M-9 and M-11 missiles has increased explosively, elevating China to the number one position in the export of missiles.

The existence of the North Korean military capabilities is a more grim reality. The areas immediately north of the armistice line are crisscrossed with a network of antinuclear underground tunnels which can provide a safe haven for as many as 20 divisions. North Korean munitions factories are hidden in mountainous areas; and the entire area along the coast line from Chongjin to south of Wonsan has been fortified like Fort Navaron. In addition, there are nuclear facilities in Yongbyon.

The prospect of a reduced role of the United States, added to the uncertainty in the Asian region, has given

Japan an excuse for a move to stand on its own feet militarily, and this move has aroused a chain reaction of fear among Asian countries. What is feared is the prospective course of development "from the PKO to a military power to the revival of militarism." Originally, Japanese leftist intellectuals and Asian communist parties came up with this schema of fear. It is true that thanks to its logical clarity and in the light of the experiences in the past, its presentation has proved very appealing, however.

Strictly speaking, the scheme omits many intermediate steps which will take place in going through that process, however. Conversely speaking, given the internal conditions, Japan will have to clear many barriers before becoming militarized again.

The foremost difficulty lies in securing military personnel. The SDF has 250,000 personnel and its manpower always falls short of the fixed number by somewhere between 30,000 and 40,000. In the case of the Japan Ground Self-Defense Force [JGSDF], the fixed number of personnel is 180,000, but the actual number is about 85 percent of this figure. The percentage of the actual number to the given quota is relatively high in intelligence and other special units, whereas the percentage is very low in ordinary units. When most firms except prestigious companies are having difficulties in recruiting new employees, it is hardly expected that contemporary Japanese youths with the tendency to avoid working under "3-K" conditions [K stands for the initial letters of the Japanese words, kikenna, kitanai, and kitsui for hazardous, unclean, and toilsome] will volunteer for military service.

Japan has no court-martial system, nor any military-related laws dealing with emergencies. In addition, a system of civilian control over the military is firmly established.

Needless to say, the barriers mentioned above may not be enough to foil the militarization of Japan.

In the final analysis, the problem posed by the PKO seems to be how Asia will come up with a new defense strategy which will incorporate Japan's military capabilities based on its advanced technology into a common Asian defense structure.

The structure may take the form of a new military version of the Asian-Pacific Economic Cooperation Ministerial Conference (APEC) or that of a gradual expansion of joint military exercises by Pacific-rim countries (RIM-PAC).

The international division of labor which is being practiced in highly advanced industrial structures can be extended to the area of military cooperation.

Even in the case of the U.S. Patriot missile, the missile is produced with the cooperation of dozens of firms in several countries in the process of designing, parts production, and assembly. This is an outcome of the change brought about by technology.

[19 Jun 92 p 1]

[Text] As reported earlier, the Japanese House of Representatives on 15 June passed the bill on cooperation in UN peace-keeping operations (PKO). The House of Councilors passed the same bill earlier. The bill paves the way for SDF troops to be dispatched overseas for the first time since the end of World War II.

Three parties—the ruling Liberal Democratic Party [LDP] and the two centrist parties, namely, the Komeito and the Democratic Socialist Party [DSP]—bulldozed the bill through the Diet. Nevertheless no one can deny that the passage of the bill laid the legal ground for dispatching SDF contingents overseas.

How Japan will prudently act in consultation with the ROK Government in the process of actual implementation of the PKO law allowing full-scale dispatches of SDF troops overseas, should be made a diplomatic issue because the Korean people, who experienced misfortunes at the hands of the Japanese in bygone days, believe that Japan can alleviate our feeling of distrust if it conducts diplomatic consultations with our government in the process of establishing an enforcement ordinance and dispatching troops.

The PKO bill, which passed both houses of the Japanese Diet, has an important political and diplomatic significance in various senses.

First, the passage of the PKO bill epitomizes Japan's active response to the divergent changes in the political dynamics of international politics in the Asian-Pacific age.

Before and after the Gulf war, Japan showed an unlimited possibility of playing important economic, political, and diplomatic roles in the community of nations. Under these circumstances, the United States is delegating to Japan a pacifier's role in regional disputes while gradually disengaging itself from Asia. This stance of the United States is one of the factors which explain why the United States has expressed no active opposition to the passage of the PKO act. The settlement issue of the Cambodian civil war and the controversy over inspection of the North Korean nuclear facilities may be typical examples of such regional disputes.

Apparently, the Japanese Government hopes to expand its political and diplomatic influence to the extent commensurable with its economic power while appropriately responding to U.S. pressures and demands.

Second, the Japanese people have been always been divided in their views concerning the defense of the Japanese archipelago as they went through the tumultuous period since the conclusion of World War II. With the passage of the PKO bill, however, a national consensus is formed for now on the defense issue.

The trend of major Japanese dailies in the coverage of the PKO bill nevertheless indicates how it is difficult to form such consensus.

The prevailing view in the editorials of Japanese local papers is that there should be a fuller debate on the implementation of the PKO law.

Among the national dailies, ASAHI and MAINICHI SHIMBUN urged caution in dispatching SDF troops overseas, whereas YOMIURI SHIMBUN and SANKEI SHIMBUN highly appraised the passage of the law, expressing hopes that Japan will make a greater international contribution and calling for the forceful implementation of the law.

Discussion of national security issues was taboo among the Japanese in the postwar period. The passage of the PKO bill signifies a radical change in their mental attitude toward national defense, however. According to an ASAHI SHIMBUN opinion poll, 40 percent supported the dispatch of SDF personnel overseas in November 1990.

When Japanese minesweepers were dispatched to the Persian Gulf last April, 56 percent supported the dispatch. The percentage who supported the idea of dispatching SDF troops overseas sharply increased this April to more than 70 percent. No one can rule out the possibility that this change in the mental attitude toward national defense among the contemporary Japanese will stir up controversy over an amendment of the constitution.

Third, the just-passed PKO bill is expected to have a significant impact on the relationship between Japan and the ROK. If Japan seeks to become a major military power through dispatches of SDF troops overseas instead of seeking to provide medical service and relief for refuges as emphasized by the LDP government of Japan, it is likely to strain the relationship between the two countries in no small measure. Therefore we hope that Japan will act prudently.

In brief, it is necessary for the ROK, the greatest victim of Japanese militarism, to step up med- and long-term policy studies from various angles to cope with the possibility of Japan's becoming a major military power. It stemmed from this appraisal and perception that our government has expressed apprehensions about the passage of the PKO bill to the Japanese Government, urging it to deal seriously with our misgivings.

We are now faced with a national task to continue to take appropriate countermeasures while watching Japan's future moves attentively.

* North's Need for Nuclear Energy Assessed

922C0187A Seoul HANGYORE SINMUN in Korean 18 Jun 92 p 5

[Article by reporter Kim Tae-ho: "North Korea's Keen Interest in Nuclear Power Generation To Insure Energy Supply"]

[Text] It is a common knowledge that "nuclear energy" has dual aspects as the source of horrible nuclear bombs and an inexhaustible energy source.

In the past North Korea countered the suspicion aired by South Korea, the United States, and other nations regarding its nuclear weapons development potential with a flat denial of its ability or intention to develop nuclear weapons. It claimed that the nuclear facilities in Yongbyon are related to its effort for "nuclear energy development designed to meet the energy demand of the national economy in a satisfactory manner." Nevertheless it is a fact that South Korea and the rest of the Western world have entertained the suspicion that North Korea's nuclear policy is geared to the development of nuclear weapons. Needless to say, most probably this suspicion stems partly from the dual character of nuclear energy and partly from North Korea's linkage of its signing of the nuclear safety agreement to the withdrawal of U.S. nuclear weapons from South Korea.

Even if we do not take the North Korean claim at its face value, it may be natural for North Korea to be interested in the development of nuclear energy in an effort to relieve its acute energy shortage. This is all the more so given its rich good quality uranium deposit estimated at 260 billion tons.

It is therefore necessary to interpret in this vein the announcement that North Korea will be ready to abandon the radioactive chemical experimental station in Yongbyon, which is suspected of being a nuclear reprocessing facility, if it is supplied with technologies necessary for the development of nuclear energy from the West.

A look at the energy supply structures of North and South Korea highlights the need for mutual cooperation in the development of nuclear energy.

Currently, with nine nuclear reactors in operation, South Korea ranks ninth in terms of the number of nuclear facilities. In 1991, nuclear power generation accounted for 47.5 percent of the total power supply in South Korea. South Korea has drawn up a plan to install an additional 18 reactors by the year 2006 thereby bringing up the ratio of nuclear energy to the total power supply to 52.1 percent.

South Korea has a feeble energy supply structure. With the increasing consumption of petroleum and natural gas along with the growing dependence on nuclear energy in the total power supply, South Korea has the highest degree of dependence on imports for its energy supply in the whole world. According to the data released by the Ministry of Power and Resources in March, of the total volume of energy consumed in 1991, 91.2 percent was imported from overseas, a figure higher than 87 percent (estimate) in Japan, a major energy consumer. South Korea's dependence on overseas energy sources is expected to increase further still.

Fortunately, South Korea's self-sufficiency rate in nuclear power station building technology has reached 88.2 percent thanks to its experience in building power plants in the past. The government plans to upgrade this rate to 95 percent by 1995. However, the entire amount of uranium used in nuclear power generation is imported from overseas. Last year the import cost $250 million.

On the contrary, North Korea relies on coal for the bulk of its energy production. In the production of electricity, coal-fired power plants and hydroelectric power plants have an equal share. According to "North Korea's Energy Demand and Supply: 71-88," published last year by Professor Chang Yong-sik of New York State University, North Korea's self-sufficiency rate in primary energy production was 88 percent in 1988, the base year. However, Professor Chang notes that the expansion of power generation by coal-fired power plants and the development of large hydroelectric power plants hit a snag beginning in the mid-1980's.

According to Professor Chang, the 75 percent reliance on coal in the total energy sources: 1) has resulted in the backwardness in the development of petroleum-related industries geared to the modernization of the economic structure and the development of new production technologies and higher productivity; 2) has raised the possibility that if the current energy self-sufficiency policy is continued, the energy shortage will pose the greatest obstacle to economic development.

In fact, North Korea's power production goal calls for 100 billion kwh of electricity by the end of 1993, the last year of the Third 7-Year Plan. On the occasion of the 45th founding anniversary of the party, North Korea announced that the amount of electric power in 1989 was 55.5 billion kwh, but since then it has published no further production figures.

It was in the mid-1980's that North Korea undertook to put a plan to build a nuclear power plant in practice. North Korea joined the Nuclear Nonproliferation Treaty because it wanted to receive assistance from the former Soviet Union in the field of nuclear power generation technology. The "agreement concerning the construction of nuclear power plants" signed with the former Soviet Union in 1985 provides for the construction of a power generating station with a total capacity of 1.76 million kilowatts in Sinpo, South Hamgyong Province, by installing four pressurized light water reactors with a capacity of 440,000 kilo watts each.

According to Professor Chang's research, the total power generating capacity of all North Korean power plants was 8.9 million kilowatts in 1988. Even considering the expansion of power facilities since then, the power output at the Sinpo nuclear power plant accounts for only 15 percent of the total power supply.

During a meeting with the Costa Rican delegation to the Pyongyang world peace summit (presided over by Rev. Mun Son-myong) headed by former Costa Rican President (Rodrigo Carraso) last April, President Kim Il-song told the delegation that North Korea plans to have five to seven nuclear power plants, including the one in Sinpo. What is noteworthy is the statement of (Edward Shrier), former Canadian energy minister and a participant in the world peace summit, to the effect that President Kim is interested in the CANDU type reactor, which uses natural uranium, and is profoundly aware that it is necessary to clear the suspicions of nuclear weapons development to pave the way for the development of nuclear power generation.

North Korea is showing interest in the CANDU type nuclear reactor because it can directly utilize its abundant natural uranium resource. Incidentally, of the nine reactors currently in operation in South Korea,, Wolsong Number One is the CANDU type built with the cooperation of Canada. North Korea's interest in nuclear energy is closely related to a shift in its energy policy designed to overcome the limits of the existing energy supply structure. This leaves plenty of room for North and South Korea to cooperate. When this cooperation is realized, suspicions of nuclear weapons development will naturally disappear.

Some observers point out that in his talks with Russian President Yeltsin, U.S. President Bush stressed the need for coordinated action to block North Korea from developing nuclear weapons because in President Bush's judgment, Russia can apply pressure to North Korea over the issue of whether or not it will supply nuclear power generation technology to North Korea as an effective lever.

* Korean Scientists Abroad Aid S&T Development

922C0168A Seoul MAEIL KYONGJE SINMUN in Korean 28 May 92 p 9

[By reporter Yi Chu-ho: "The Korean Scientist Society in the USA Takes the Lead in Luring High-Level Brains Back to Korea: a Review of Korean Scientists and Technicians Movements Abroad"]

[Text] A World Joint Council of Korean Scientists and Technicians was created at an inaugural general meeting in Seoul yesterday.

The council consists of chairmen of the Korean scientist groups in 13 countries, including the United States, Japan, China, the UK, France and Germany as well as Korea. The council, set to serve as the central body of Korean scientists and technicians scattered the world over, is expected to promote scientific and technological developments in our country through exchanges and cooperation and to act as intermediary in expediting the laying of foundations for reunification through North-South cooperation.

Here is a report on the state of Korean scientist groups in various countries:

—The Korean Scientists and Technicians Society in the USA was formed in December 1971 in Washington.

Although only 69 scientists and technicians were present at the inaugural meeting, the membership has grown to 7,500 over the past 20 years.

The present chairman, 21st, is Han Mu-yong, physics professor at Duke University. A chairman serves one year and is elected in April every year by a through-mail vote of 54 branches in all parts of the United States.

In the latest balloting held in April this year, Kim Hyo-kun, physics professor at Rochester University, was elected as the society's 22nd chairman, for the term beginning in July. The society has been acting as the contact point in supplying high-level brains to research institutes and enterprises back in Korea, actively cooperating with the home government's program to attract scientists and technicians from overseas. Its activities also include publishing a bimonthly newsletter, operating a data base for members and scholarship programs, and holding regional symposiums.

Last year, marking the 20th birthday, the society held an advanced science and technology general symposium from 29 November through 3 December in Washington, drawing great attention.

—The [South] Korean Scientist and Technological Society in Japan was established in October 1983 in Tokyo. The original membership of 80 has grown to 1,200 now.

Members are largely divided into two categories—resident members and those who will return home to Korea after a certain period of stay in Japan or when they have achieved their purpose of stay, the latter including students, researchers and visiting professors.

Presently, besides this society, there is the Chongnyon-affiliated [North] Korean Association of Scientists and Technicians in Japan.

The society is currently chaired by Chang Kap-sun, professor at Tokai University. His term expires on 2 June 1993. The group has been active with programs to promote science and technology among Korean residents in Japan, holding nine scientific symposiums to date.

—The Korean-Chinese Scientist Society was formed in July 1989. Its current membership is 1,80. The society has its regional committees in Beijing, Tianjin, Changchun, Yanbian, Jilin, Harbin, and Shenyang.

In addition, it has 13 specialist committees, including the medicine, applied physics, agriculture-forestry, and materials committees, and is playing an active role in each field.

Last year, the society sponsored a 1991 international science-technology symposium and, through North Korea's participation, acted as go-between in organizing the World Joint Council of Korean Scientists and Technicians.

Presently, the society is chaired by Kang Kwi-kil, chemistry professor at Yanbian University.

—The Association of Korean Scientist Societies in Europe was established in June 1975 in Germany. It was created as a league of societies formed earlier in France, the UK and other European countries. Renamed as the Association of Korean Scientist Societies in Europe at a general meeting in May 1976, the group has been operating as a federative body both in name and reality.

The association currently consists of three societies—the Korean Scientist Society in France, and those in the UK and Germany—each embracing groups in other European regions belonging to the same linguistic sphere. For instance, belonging to the society in France are groups in Latin-language-sphere countries such as Belgium, Italy and Spain as well as France.

Since the association is made up by societies based in different countries with different languages, cultures and social customs, each component society has its own operating style. Characteristically, therefore, the association guarantees a maximum autonomy for them all.

Presently, O Yong-sok, senior researcher at the (Longue Franc) research institute and chairman of the Korean Scientist Society in France, is concurrently serving as chairman of the Europe association. His term expires at the end of 1993.

The Europe association has 1,700 members. Its annual budget is $150,000 including $60,000 in government subsidy. This means that the association relies on its own revenue sources to raise $90,000, or 150% of the government subsidy.

—The Korean Scientist Society in Germany was established in May 1973 and its current membership is over 600. The society has 10 regional branches across Germany

It also has six divisions—electricity, electronics, computer, and communications; machines; materials; civil engineering and construction; physics and chemistry; life science.

Each division meets twice a year for in-depth exchange of academic information and to help junior members determine their courses.

Unlike those in the United States, scientists in Germany are not immigrants. Therefore, except for special cases, most of the members usually return home to Korea after finishing their courses for degrees. As a result, members are largely young scientists below age 40. The present chairman is Yi Kon-chi, researcher at AEG.

—The Korean Scientist Society in Canada was created in November 1986. Presently, it has 424 registered members.

The society has 21 chapters in nine regions—Toronto, Ottawa, Montreal, Calgary, Edmonton, Manitoba Province, British Columbia Province, Saskatchewan Province, and the Atlantic provinces.

The present chairman is Mun Kwang-sun, researcher at the Canadian Institute of Mineral Energy Technology. His term expires at the end of this year.

—The Korean Scientist and Technological Society in the Confederation of Independent States [CIS] was started in July 1991; its current membership is over 1,000. Separate Korean scientist societies are operating in three republics—Russia, Kazakhstan, and Uzbekistan.

The CIS society is chaired by Dr. Georgiy Pak, vice chairman of the World Media company.

Meanwhile, the Korean Scientist and Technological societies in the Russian Federation, Kazakhstan and Uzbekistan are chaired, respectively, by Dr. Aleksei Choe, senior researcher at (Chebetmetekollozi) Institute, Dr. Ivan Pak, vice president of the Kazakhstan Academy of Sciences, and Dr. Becheslav Om, researcher at Tashkent Nuclear Physics Institute.

* Three Political Parties' Candidates Profiled

* 'Image-Making' Efforts Viewed

922C0174A Seoul HANGUK ILBO in Korean
29 May 92 p 3

[By reporters Chong Chin-sok, Hwang Yong-sik and Chong Kwang-chol: "Three Parties Shift to Election-Year Footing, Embark on Road to Presidency; Candidates Go All-Out for 'Image Making'"]

[Text] Since officially nominating their presidential candidates—Kim Yong-sam, Kim Tae-chung and Chong Chu-yong respectively—the Democratic Liberal Party [DLP], the Democratic Party [DP] and the Unification National Party [UNP] have stepped up work to upgrade in earnest their campaign systems already in operation. While structurally shifting to an election-year footing, each party is in the process of starting a variety of campaign organizations led by its presidential candidate.

At the same time, considering the fact that the three are already well- known personalities, they all seem to be working diligently to make a new candidate image of themselves that appeals directly to the feelings of the public.

DLP: The DLP, while on guard against any signs of the race becoming prematurely overheated, is quietly pushing intra-party work to consolidate its election-year footing.

It is in this context that the DLP, among other things, put off the inauguration of a "Presidential Election Planning Group" and other specific campaign strategy teams until the official transfer of the party presidency in July or August.

Consequently, while focusing on enhancing the public image of Kim Yong-sam as DLP candidate, the party is planning to induce, if possible, a "period of campaign truce" in the nation's political sphere.

Therefore, the greatest concern of the party's presidential election planning team now is how to build the voter image of Kim Yong-sam as the ruling party candidate. In this connection, Kim's aides are unanimously stressing the need for a "Kim Yong-sam" qualitatively closer to the public.

They explain that continuing quantitative P.R. strategy on a candidate who is a member of Parliament serving his ninth term and an unsuccessful candidate in the previous presidential election is meaningless. The only way to effectively play up Kim's image, they note, is for him to show through practices his policy implementation and administrative management abilities as well as his leadership to steer national politics.

To that end, the Kim Yong-sam side plans to put to work party-Administration cooperation apparatus whenever necessary, highlighting a mature Kim Yong-sam with a two-year "experience in the government party." It further plans to show the role he played in ensuring smooth operations of the National Assembly and bringing on dialogues between the ruling and opposition parties in the past, as well as his performance in negotiations on convening National Assembly sessions. Their aim is to erase the obsolete, negative image of an old-school politician and to emphasize his productive political ability.

As part of such qualitative image-enhancing efforts, Kim arranged an emergency DLP-Administration meeting on 27 May to approve a special Bank of Korea loan program to help normalize operations of investment trust firms. Also, he took steps to strengthen coordinating systems between party and Administration offices, generating a stronger sense of party-government unity and thereby facilitating more flexible responses to problems concerning the people's livelihood.

At the same time, the Kim Yong-sam side plans to fully exploit the advantage of being the ruling party candidate by reopening today the regular Chongwadae meeting, which has been suspended because of the DLP election for presidential candidate, playing up his image as next president even more specifically.

While ostensibly maintaining the appearance of a ruling party leader devoted to his official duty, not a presidential candidate engaged in an open campaign, he intends to diffuse a positive image of himself—and, in effect, bring it up to a campaign level.

What the Kim side in the DLP is saying boils down to this: While refraining from disclosing specifics of its campaign strategy for the time being, it will instead endeavor to appeal the candidate's political ability to voters in a natural way through party efforts to lay frameworks for stability in political management. (By Chong Chin-sok)

DP: The DP has been in a hurry to put its campaign system in full operation since the close of its national convention. In fact, it had long been preparing for the 1992 race behind the scenes.

It plans to inaugurate its first "Presidential Campaign Planning Group" as soon as a reshuffle of party executive posts is over.

The Kim Tae-chung side is hoping that Co-Chairman Yi Ki-taek will thrust himself to the fore one way or another and show himself as leader of the DP campaign.

The campaign setup of the DP is likely to feature activists of the NDP [former New Democratic Party] faction to lead efforts for regional reconciliation, and to evenly distribute non-Honam personalities of the former DP faction to enhance the unity image.

At the same time, what the Kim Tae-chung camp sees as a key to overcoming regionalism for victory in the presidential election is the creation of a new Kim Tae-chung image.

In this connection, specific guidelines of conduct and P.R. plans—prepared by a planning team for a new Kim Tae-chung image led by Rep. Han Kwang-ok; Han Hwa-kap, elected to the National Assembly in the recent general election; Yu Chong-kun, chairman of the public relations committee, and Pae Ki-son, director of planning for the Executive Council—set forth all the necessary details ranging from facial makeup and proper attire to in-speech gesture as already demonstrated by Kim Tae-chung in person during his stumping in the general election.

What the DP candidate is working for through such visible external change is to appeal to voters a new Kim Tae-chung image reflecting the call of the times, erasing any ill-formed, negative image of the past.

To do so, in the final analysis, is in consistency with the DP's essential tasks to, among other things, improve its relations with forces rejecting him, including the middle class and the military, and establish a policy direction toward a centrist coalition. This is not to say, however, that the DP's campaign strategy is only devoted to "creating a Kim Tae-chung who is only soft and intimate."

What is particularly noteworthy is the DP strategy of drawing a line between the two Kims. Inasmuch as the upcoming presidential election will after all be a showdown between the two Kims, Kim Tae-chung is expected to devote all his energies to highlighting what sets him apart from Kim Yong-sam by playing up his strong points to the maximum while erasing any negative image of himself.

According to the DP strategy, Kim Tae-chung will focus on issues dealing with the economy and economic problems of the public, prices in particular, and present his visions in all policy areas, major and minor, including disarmament, national reunification, diplomacy, education and women's rights, and by doing so will, through television debates and other open forums, show a true Kim Tae-chung to the public insisting in effect that "this Kim is different from the other Kim." (By Hwang Yong-sik)

UNP: The judgement of the UNP is that its candidate is weaker than the other two in terms of solid support base but has "vast" grassroots yet to be worked at. Since Chong Chu-yong entered the political world, especially the presidential race, belatedly, he is indeed behind the two Kims in the number of "loyal votes" but this, the UNP insists, in turn means that he has that much more potential grass-roots support.

The UNP, especially, believes that at a time when the democracy versus anti-democracy confrontation has faded, giving way to the increasing economic woes, the possibility is high of Chong Chu-yong, as a candidate well versed in object economy and with strong leadership, emerging as alternative to the established politicians. It acknowledges, however, that he is a fresh-man politician in a land of conservative voter propensity, a fact which it thinks can hardly promise a "popularity equal vote" prospect.

Therefore, with a view to seeking out grassroots uninfluenced by the two Kims and winning them over, the UNP plans an all-out campaign playing up the candidate's political image. While making economic reconstruction a centerpiece of its P.R. strategy, the party will present Chong's visions for other areas, too, including the political, social, cultural and educational.

To that end, the UNP will, according to plans already prepared, take issue with economic policies of the Sixth Republic in the National Assembly, newspaper advertisements and various seminars, simultaneously presenting its own rational feasible policies on a continuous basis.

In strategy for non-economic areas, the UNP will show its overall vision, presenting itself as a "party of policy," and, at the same time, highlight Chong's personal concerns for each area to enhance his image as a political leader.

For such change in the image of Chong, the UNP is studying ways and means to make opportunities for the candidate to expose himself more frequently to the public. Also, considering the fact that Chong is a man quick at repartee, it is also studying plans for joint television debates participated in by the three candidates.

Meanwhile, considering the possibility of Chong's age becoming an unexpected factor of a shrunk vote, the UNP plans to have the candidate show off his good health to people by showing them, for instance, how he takes exercise.

The UNP also plans to demonstrate its strength at the major-city and provincial chapter reorganizing conventions scheduled for June and steer the presidential race into a "close" three-way contest of the DLP, DP and UNP. (By Chong Kwang-chol)

* Financial Profiles

922C0174B Seoul CHUNGANG ILBO in Korean 3 Jun 92 p 3

[By reporter Chon Yong-ki: "A Look into the Candidates—Three Ways of Money Management"]

[Text] The way one earns and/or spends one's money reflects the person's lifestyle. The "money matters" concerning the three presidential candidates, a highly confidential domain indeed, offer a clue to their hidden human aspects and behavioral patterns.

A trait common to the three is that they live frugally. The residence of Kim Yong-sam, DLP presidential candidate, at Sangdo-tong, Seoul, has been put to no major maintenance work in the past 24 years. This recently caused the antiseptic tank to leak a foul smell, forcing a hurried repair by digging the front yard.

Kim Tae-chung, DP presidential candidate, had also lived in an old public-housing-type home for more than 20 years until he tore it down and built a new one in 1986. Still, the new house only compares to that of an upper middle class.

Chong Chu-yong, UNP presidential candidate, is tight-fisted, too. In the course of the 24 March general election, a woman UNP member was shocked to see traces of repair on the knee portions of his suit pants. Needless to say, their frugality is not because of a lack of money. The truth is that they must be conscious of the public's eyes all the times or have estranged themselves from an extravagant, noble way of consumption while engrossed in money making, without their knowing it.

But when it comes to spending money for political purposes, each candidate has his style. Kim Yong-sam's style is "go ahead and spend it if you have—and do without spending if you don't." Also, it is said that he exhibits absolutely no signs of concern even when there is no money to spend, a fact showing that he is not a calculating-type person. One day toward the very end of his 1987 presidential campaign, he hosted a luncheon for hundreds of supporters in Sosan, South Chungchong Province; after the luncheon, he found out that he had no money to pay the bill for the short-rib soup and rice amounting to 2 million won [W]. So, he paid the restaurant, which he used for the first time, with an IOU.

It was in those days when he ran out of contributions and had to sell his Seoul Country Club membership worth about W50 million.

Like this, he is not a careful-type person with money, a trait of his character in part attributable to his family background. He grew up with no worries about money as the only son of a wealthy fishery owner, Kim Hong-cho, 82. Until the early 1970's, contributions from his father accounted for significantly large portions of his political funds.

It is said that by the time he settled down in the present Sangdo-tong residence in 1968, he had sold four houses—which his father bought for him—one by one, mostly to finance his election campaigns. He is a typical Korean politician in that he has never, not even once in his life, "worked to earn money" by trying his hand in a business or saving his salaries. To him, money is always a thing that comes and goes.

Kim Tae-chung was born a second son to a tenant farmer, who had three other sons and two daughters. He grew up in poverty like all other ordinary people in those days. In his young days, he once served as head of the MOKPO ILBO and Hungguk Shipping companies, displaying his unique business talent. Once he recalled that his "most miserable days" came in the 1950's and he was defeated in four National Assembly elections over 10-odd years.

He had to often endure hunger. He was in his twenties when one of his sisters was dying of a heart disease and the family was unable to do anything about it because of poverty. His first wife, who shared the hard days with him supporting his political career, died amid the same poverty. Furthermore, he was always subjected to oppression by authorities seeking to expose his weakness.

Perhaps because of his political career plagued by such poverty and harsh repression, he controls strictly in person all the major finances, entrusting them to no one. Meanwhile, according to another story, his eldest son, Hong-il, has been involved in the financial management to some extent since the mid-1980's.

Until recently, when paying bills for food or things like that, he had been seen taking out money from his purse and counting, instead of letting a secretary take care of it. During his 1987 presidential campaign, reporters even saw him paying free way tolls by himself.

When it comes to money, Kim Tae-chung is a saving type, always putting away some for rainy days. In running the opposition party, a virtual "private party," he is said to draw a clear-cut line between party money and his own, always putting away his separately. As a result, they say, even after a general or presidential election, he usually has some money left more often than not. Those who know him well are unanimous in saying that it can be safely said of him that even when there is no money in the party coffer, Kim Tae-chun himself has his financial resources to stage a comeback in any emergency.

In 1988, when his party (the former Party for Peace and Democracy) became the No. 1 opposition party after the 1987 presidential election, Kim Tae-chung showed his interests in a stock market pump-priming plan by, among other things, paying a visit to the market. This gave rise to allegations that he was trying to invest "remaining funds" from the elections in stocks for profits.

The money-spending style of Chong Chu-yong, the candidate from chebol [conglomerate], is an entrepreneur type. He puts his money only where it yields a profit. He boasts that not even once in his life has he put himself in a losing business. Even in the last general election, in cases of potentially successful candidates, his funding support was "amazingly large"; otherwise, the reverse was the case, causing disappointed candidates to cry out "I should have known better."

In the same general election, he even "invested" in independent candidates likely to be elected rather than in mediocre ones of his own party by passing them "huge amounts of deposit." Now, some of the independents thus elected are now reportedly in agony trying to determine their political courses.

While he pays UNP personnel a little more than the DLP does to its officials but their working hours is at least 50% longer. The intensity of work is high, and all reports must be written on both sides of the paper. They are required to be diligent and frugal.

Chong had used to say that "people I dislike most are politicians. Because they do not work for themselves. They are parasites living on money collected from other people."

There are vast differences between the three candidates in the size of their assets, too. Chong's are so astronomically massive that he himself hardly knows the exact details, while the worth of the two Kims are at least W1 billion each.

Kim Yong-sam's home at Sangdo-tong, Seoul—an 85-pyong, two-story western-style house on a 102-pyong lot—is worth W400 million. Also registered in his name are 11,000 pyong of rice fields and 26,000 pyong of forest land on Koje Island, his native place. Besides, he owns a fishery facility (anchovy drying ground) of some 1,000 pyong in Changwon. The Kim Yong-sam side estimates the total worth at W1 billion.

In addition, he owns a stationary-net fishing right worth W100 million, and his wife, Son Myong-sun, a 46-ton steel vessel (worth W50 million). Meanwhile, his father has six fishing boats, which can safely be included in his assets. All in all, he owns approximately W2 billion in real estate.

Kim Tae-chung's home in Tonggyo-tong, Seoul, consisting of a 45-pyong western-style flat and a 20-pyong two-story annex on a 153-pyong lot, is worth about W650 million. Besides, he owns 900-pyong of forest land in Hwasong County, Kyonggi Province, worth about W100 million. Registered in his wife's name, Yi Hui-ho, is a 102-pyong factory site in Yongdungpo-tong, Seoul, currently under lease for W2 million in monthly rent. He also owns some 30 items of valuable art objects such as paintings and calligraphic works. Altogether, he is worth W1 billion at least.

In Chong Chu-yong's case, his private property alone is estimated at W3 trillion or so. He is said to have readied W500 billion to W800 billion in cash for his political career. Checks used for funding the latest general election carried 1990 or 1991 dates, to the surprise of many. Large portions of his assets are registered in other persons' names.

Chong's 100-pyong, two-story western-style home, standing on a 250-pyong lot in Chongun-tong, one of the most fashionable residential areas at the foot of Mt. Inwang, is worth W3 billion in offered prices.

While Chong can afford to finance his campaign entirely with his own disposable funds, the two Kims have to rely on supporters for contributions. While Kim Yong-sam's switch to the ruling camp had the effect of positioning him more favorably for financial contributions, he is likely to benefit also from relationships with big businesses fostered in the course his parliament activities over a long period of time.

In contrast, Kim Tae-chung gets relatively larger financial support from small enterprises than from big businesses. Also, "small but multiple" contributions are expected from DP legislators and wealthy reserve politicians.

Popular among people close to the two Kims is an interesting yardstick to weigh their characteristics. Aides for Kim Yong-sam say that they can smell it right away when political money has found its way into his purse. But Kim Tae-chung's aides say that in the their boss' case, they would never get even the slightest hint of it. It clearly indicates, they say, the difference in character between the two Kims.

Assets of the Three Presidential Candidates at a Glance:

Kim Yong-sam: size of property—approximately W2 billion in house at Sangdo-tong, forest land, fishing boats, etc.; source of campaign funds—contributions from big businesses; spending style—free and generous; management style—entrusting to aides.

Kim Tae-chung: size of property—W1 billion at least in house at Tonggyo-dong, some real estate; source of campaign funds—contributions from small enterprises; spending style—rational, deliberate; management style—direct, personal control.

Chong Chu-yong: size of property—W3 trillion in house at Chongun-tong, securities and real estate; source of campaign funds—self; spending style—concentrated investment; management style—systematic control.

Burma

Exile Government Sets Terms for Reconciliation

BK2907112992 (Clandestine) Democratic Voice of Burma in Burmese 1430 GMT 28 Jul 92

[Statement of National Coalition Government of the Union of Burma on the second anniversary of the 1990 elections; dated 27 May 1992]

[Text] It has already been two years since the holding of the multiparty democratic general elections in 1990. In that election, the National League for Democracy [NLD], led by national leader Daw Aung San Suu Kyi, won a landslide victory, winning in 392 out of 485 constituencies. The NLD and elected NLD representatives held a meeting at Mahatma Gandhi Memorial Hall in Rangoon on 28-29 July 1990 and made a declaration containing the following demands:

1. The convening of parliament in September 1990;
2. The release of Daw Aung San Suu Kyi and all political prisoners;
3. The abolition of all oppressive laws and granting of full democratic rights.

The State Law and Order Restoration Council [SLORC], ignoring the demands of the Gandhi Declaration and the people's desires which were expressed in the 1990 elections, still continues to refuse to transfer power to the elected representatives. Daw Aung San Suu Kyi and other prominent opposition leaders have not been released up to this day. The release of a few political prisoners among thousands that were arrested since the SLORC took power in 1988 is a deceptive act by the military regime. The SLORC's declarations to convene a national convention within six months and to hold discussions with elected representatives of political parties and independents are also SLORC political ploys which are difficult to accept. We do not believe these political ploys will be able to solve Burma's main political problems.

The SLORC must implement the following if it has a sincere desire to reestablish genuine national reconciliation in Burma and to solve the political problems with alacrity.

1. Release unconditionally Daw Aung San Suu Kyi and all political prisoners as soon as possible;
2. Transfer power as soon as possible after granting full recognition to those who were elected representatives at the 1990 elections;
3. Unconditionally revoke martial law and other unjust laws;
4. Halt the civil war and hold discussions equally with all revolutionary forces;
5. Guarantee human rights and democratic rights.

The National Coalition Government of the Union of Burma will continue its struggle in cooperation with the entire populace, which comprises all the national races, for the emergence of a genuine democratic government and for the creation of a federal union, which guarantees equal rights and autonomy for all national races.

[Signed] The National Coalition Government of the Union of Burma

Australian Senator Visits, Meets Officials

'Frank Talks' With Foreign Minister

BK2807142892 Rangoon Burma Television Network in Burmese 1330 GMT 28 Jul 92

[Text] U Ohn Gyaw, minister for foreign affairs, received Senator Christopher Schacht, chairman of the Australian Parliament Committee on Foreign Affairs, Defense, and Trade, who is currently in Burma, at the minister's office at 1500 today. Present at the occasion were Mr. Geoffrey Charles Allen, ambassador of Australia; U Aye, director general of the Political Department, Ministry of Foreign Affairs; and responsible personnel.

It has been learned that cordial and frank talks on bilateral relations were held.

Meets Trade Minister Abel 29 Jul

BK2907144192 Rangoon Radio Burma in Burmese 1330 GMT 29 Jul 92

[Text] Senator Christopher Schacht, chairman of the Australian Parliament Committee on Foreign Affairs, Defense, and Trade, who is currently in Burma and accompanied by Australian ambassador Mr. Geoffrey Charles Allen, called on Brigadier General Abel, minister for planning and finance and for trade, at the trade minister's office at 1500 today and held cordial and frank talks on bilateral economic and trade matters.

Present at the occasion were Brigadier General Win Tin, deputy minister for planning and finance; U Win Naing, deputy minister for trade; and responsible personnel from the Ministry of Planning and Finance and the Ministry of Trade.

Meets Election Commission Members

BK2907152392 Rangoon Radio Burma in Burmese 1330 GMT 29 Jul 92

[Text] Senator Christopher Schacht, chairman of the Australian Parliament Committee on Foreign Affairs, Defense, and Trade, who is currently in Burma, called on U Ba Htay, chairman of the Multiparty Democratic General Elections Commission, and members U Saw Kyar Doe, U San Maung, Saya Chai, and U Kyaw Nyunt at the Multiparty Democratic General Elections Commission office at 94 Natmauk Road, Bahan Township, at 1000 today. The senator was accompanied by Australian ambassador Mr. Geoffrey Charles Allen and Second Secretary Mr. J. Robinson. Commission Secretary U Aye Maung was present on the occasion.

It is learned that cordial and frank talks were held on matters relating to the general elections, bilateral friendship, and goodwill.

Brunei, Malaysia & Singapore

Malaysia

136 Vietnamese Repatriated Under UNHCR Program

BK2907092192 Kuala Lumpur BERNAMA in English 0853 GMT 29 Jul 92

[Text] Kuala Lumpur, July 29 (OANA/BERNAMA)—A total of 136 Vietnamese boat people left for home under the United Nations High Commissioner for Refugees (UNHCR) sponsored voluntary repatriation programme Wednesday and more are expected to do the same.

With the departure, 1,284 Vietnamese have left the country voluntarily since 1980. Wednesday's departure, which was divided into two batches, is the biggest so far.

National Task Force on Refugees Director Maj-Gen. Sulaiman Kudus said 601 refugees had left the country voluntarily so far this year compared with 335 for the whole of last year and 295 in 1990. More were expected to leave as they were now more aware that the political situation was becoming more liberal and the economy there was improving, he said.

Sulaiman said Prime Minister Dr. Mahathir Mohamed's visit to Vietnam in April and the visit by the Vietnamese Prime Minister Vo Van Kiet in January had resulted in better co-operation from the Vietnamese immigration department to help in the repatriation exercise.

He added that the Orderly Departure Programme under the International Organization for Migration, (IOM), which allowed non- political refugees to migrate from Vietnam had encouraged many to return home and try their luck under the programme.

Meanwhile, UNHCR representative Shamsul Bari told reporters that the refugee problem in Malaysia was very much under control. He said about 10,000 refugees were still in Malaysia and about 3,000 of them were considered political refugees would be resettled in third countries. The rest would have to go home.

Convincing these people to return home was no easy task but so far this had been made possible with co-operation from the Malaysian Government, the National Task Force, IOM and the Malaysian Red Crescent Society.

Hurd Says UK Has No Reservations About EAEC

BK2907141092 Kuala Lumpur Radio Malaysia Network in English 1330 GMT 29 Jul 92

[Text] British Foreign Secretary Douglas Hurd said his country has no reservations about Malaysia's proposal for an East Asia Economic Caucus, EAEC. He said Prime Minister Datuk Sri Dr. Mahathir Mohamed, whom he met yesterday, had explained that the EAEC was not a restrictive trading bloc but was compatible with the principles of the General Agreement on Tariffs and Trade, GATT.

Mr. Hurd said on behalf of his country he would say Britain has reservations about the proposal and it is clear that it does not amount to a restrictive trade bloc and it is compatible with everybody's obligations as the GATT. Mr. Hurd was speaking at a news conference after delivering a lecture at the Institute of Diplomacy and Foreign Relations in Petaling Jaya.

Mr. Hurd, who is on a 2-day visit after attending a meeting of dialogue partners of ASEAN in Manila, said his visit to Malaysia was exceptionally pleasant and productive.

Cambodia

People's Party Congress Adopts Resolutions

BK2907144392 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1300 GMT 29 Jul 92

["Resolutions of the extraordinary national congress of the Cambodian People's Party"; dated 29 July—read by announcer]

[Text] The extraordinary national congress of the Cambodian People's Party [CPP] was held on 28 and 29 July 1992 with the participation of 623 delegates from 21 parties from provinces and municipalities; 24 parties from ministries, services, and establishments under the Central Committee; 170 parties from precincts and districts; village and ward parties nationwide; and representatives from the CPP branches of Cambodian residents in Australia, France, Singapore, and Belgium.

After detailed discussions, here are the resolutions of the congress:

1. The congress unanimously agreed on the assessment of the Cambodian situation during the implementation of the Paris agreement and future goals of the CPP Central Committee by considering this as an important political task of the entire party and people to continue implementing the political platform of the CPP set forth at the party's extraordinary national congress in October 1991 for the cause of peace, national reconciliation, democracy, and national rehabilitation and development.

2. The congress unanimously adopted the report on the essence of amendments to a number of points of the CPP's statute. The congress agreed with the current amendment of some chapters and articles of the party's statute—particularly the alteration of the party's emblem by replacing the white pigeon in the middle with a five-tower temple, and granted the right to the Standing Committee of the Central Committee to determine a new emblem when necessary; and the change of

the party's acronym from KOR-BAR-BAR-PHA [Cambodian alphabets] to PRA-CHOR [Cambodian letters and alphabet]—shows the responsible spirit of our CPP in carrying out its duties as a major party to the Paris agreement and a preparation to compete in the forthcoming election in the spirit of the agreement.

3. Starting from the requirement of the duty to lead the party in the new situation, the congress elected 19 members of the CPP Central Committee, raising the number of party Central Committee members to a total of 75.

4. The congress agreed with the resolutions of the 17th plenum of the party Central Committee, which was held on 29 July 1992 under the chairmanship of His Excellency [H.E.] Chea Sim, chairman of the party, and achieved the following:

— Elected Prince Norodom Chakkrapong and H.E. Kong Sam-ol as Standing Committee members of the Central Committee;

— Voted to amend the composition of the Control Commission of the party Central Committee by appointing Um Sarit and Thong Thin as members of the Control Commission replacing H.E. Say Chhum and Men Sam-an, who cease to be members of the Control Commission;

— Elected and appointed the Financial Commission of the party Central Committee which consists of three members with H.E. Chea Soth as chairman.

The congress hands over to the party Central Committee the task to disseminate the results and implement the resolutions of the current congress by making efforts to translate this into concrete activities within the entire party and society.

[Dated] Phnom Penh, 29 July 1992

Hun Sen Views Khmer Rouge Accord Noncooperation

BK3007081092 Phnom Penh SPK in French 0436 GMT 30 Jul 92

[Text] Phnom Penh 30 Jul (SPK)—Mr. Hun Sen, chairman of the Council of Ministers of the State of Cambodia, reaffirmed that the Khmer Rouge's demand for the dissolution of the incumbent government is running counter to the Paris peace accord and that right of veto should not be given to them.

At a ceremony to confer diplomas on 340 students of the Economic Institute in Phnom Penh, Chairman Hun Sen, who is also a member of the Supreme National Council, emphasized:

Elections will take place as scheduled. But there are two possibilities, that is with the participation of the Khmer Rouge or without the Khmer Rouge. Should the Khmer Rouge not participate, we could brand them as bandits. Chairman Hun Sen extolled cadres, staff members, and professors at the institute for having performed their tasks well and the students for their successes.

The institute, which has already bestowed degrees on 538 students so far, is made up of 50 professors, including six who have completed their studies on market economy in France, four from the Asian Institute of Technology, and two from the United States. Later, other professors will go and continue their studies in France and Australia and at the Asian Institute of Technology.

Work is underway to expand study rooms, but the institute now lacks computers, laboratories, and a library.

Khmer Rouge Deny Massacre of Vietnamese

BK3007024192 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 29 Jul 92

["Denial by the Spokesman of the National Army of Democratic Kampuchea of the Massacre of Ethnic Vietnamese at Tuk Meas Village in Kampot Province"—date not given; read by announcer]

[Text] I. According to a report from a spokesman of the UN Transitional Authority in Cambodia called UNTAC, a group of 30 armed persons massacred eight ethnic Vietnamese at Tuk Meas Village in Kampot Province on 21 July. The spokesman said the identity of the group has not yet been determined.

Later, various radio broadcasts—including Voice of America—and newspapers concluded that those who had massacred the Vietnamese at Tuk Meas village were soldiers of the Phnom Penh faction. They confirmed that it was the Phnom Penh faction's soldiers who had killed the ethnic Vietnamese because the killing took place near a position held by the Phnom Penh soldiers.

II. Hanoi Radio, in a report on the massacre, blamed the National Army of Democratic Kampuchea [NADK]. In the wake of the accusation broadcast by the radio, the Phnom Penh faction made the same accusation.

III. The NADK spokesman totally and categorically rejects those accusations.

IV. The NADK spokesman wishes to make the following remarks and clarifications:

1. Tuk Meas Village is adjacent to the Tuk Meas seat. Therefore, it is in the region under the control of the Vietnamese aggressors and the Phnom Penh faction. No NADK troops have been stationed in this seat or its environs.

2. The Phnom Penh faction's Cambodian soldiers in the Tuk Meas township and other places, mainly in the eastern region of Cambodia, are in serious and fierce conflict with the Vietnamese aggressors and their lackey puppets. The conflict ensues from the following motives:

A. These soldiers have been forced by the Vietnamese aggressors and their lackey puppets to serve as soldiers and to die in their place.

B. They have ceaselessly been forced by the Vietnamese aggressors and puppet leaders to raid villages and communes to kill the people and plunder their property.

C. They have not received their salaries for four or five months so far. The Vietnamese aggressors and Phnom Penh faction recently paid them a one-month salary, but the bank notes received cannot used because they are no longer acceptable—all transactions are now conducted using gold or dollars. That being the case, the Phnom Penh faction's Cambodian soldiers [words indistinct].

D. The absolute majority of the Cambodian soldiers is comprised of children of the inhabitants in Kompong Trach, Tuk Meas, and Kirivong District, which border Vietnam. The Hanoi Vietnamese have moved their bounderies many kilometers deep inside these three districts by digging a new (Vinh Te) river. Plots of land of the people in general and of the parents of those Cambodian soldiers are misappropriated by the Vietnamese. The Hanoi Vietnamese have not only trimmed the Cambodian soil and turned it into their own, but have also dispatched thousands of Vietnamese nationals to Cambodia to plunder fish and cattle; they have also felled trees—including young trees such as Kra Buoy and Anh Chanh—and then shipped them to Vietnam for use as cooking wood. They came to rob and plunder everything in the three districts. The people there are living in misery; they have even collected and kept excrement from oxen and buffaloes for cooking their meals, and so on.

It is these events that make those people—young and old, male and female alike—furious with the Vietnamese aggressors, troops, settlers, and nationals who cross the border to plunder [words indistinct] everyday. The indignation of the people in general has turned into the anger of their children, who themselves have been forced by the Vietnamese aggressors and puppet leaders to serve as soldiers and die in their place. As such, the Cambodian soldiers, with outrage at the Vietnamese aggressors' systematic plundering of their parents and relatives, have become impatient at the Vietnamese aggressors' expansion and annexation of their land and villages.

The situation concerning the people's outcry against the Vietnamese aggressor expansionists and annexationists is widespread all over the country, especially in the eastern region adjoining the Vietnamese border. The fury of the local people and Cambodian soldiers is extremely fierce at present.

Khieu Samphan Letter to Akashi on Foreign Forces

BK3007063192 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 29 Jul 92

[Letter from Khieu Samphan to Yasushi Akashi, dated 24 July]

[Text] His Excellency [H.E.] Khieu Samphan, head of the Party of Democratic Kampuchea [PDK] and member of the Supreme National Council [SNC], sent another letter to H.E. Akashi, special representative of the UN secretary general and head of the UN Transitional Administration in Cambodia [rathaka bandaoh asan angka saha pracheacheat neou kampuchea] [UNTAC] on 24 July. This letter is in response to H.E. Akashi's statement on foreign forces and nationals in Cambodia. The following are its contents:

His Excellency, the special representative: You made a statement on foreign forces and nationals at the SNC meeting on 23 July 1992. In the statement:

1. You thanked the Vietnamese Government for its statement reaffirming that Vietnamese forces were already withdrawn from Cambodia between 17 January 1982 and 26 September 1989; that Vietnam no longer had any troops, weapons, or war materiel left on Cambodian soil; and that Vietnam has not, under any appearances, sent armed forces and war materiel back to Cambodia.

On this important issue, the PDK, however, regrets to be obliged to reaffirm that Vietnamese forces, disguised as civilians or soldiers or officers of the Phnom Penh army, have continued to launch military operations against the Cambodian people and the PDK's forces, with the aim of further occupying and controlling Cambodia. Vietnamese advisers have continued to lead and run affairs in Cambodia via the Phnom Penh regime. Therefore, for the Cambodian people, the word foreign forces undoubtedly means the Vietnamese aggressor forces, which have not been withdrawn from Cambodia.

2. You have asked the PDK to provide proof of the presence of foreign troops and forces. On this issue, the PDK does not think the evidence should be given unless the SNC has sufficient power and means as the sole legitimate body and source of authority in Cambodia, according to the Paris accord. Only when the SNC is closely and effectively cooperating with UNTAC, will the identity and whereabouts of the Vietnamese forces be revealed to the UNTAC and SNC by the Cambodian people. Nonetheless, as long as the so-called State of Cambodia's Government continues to exist, the Cambodian people and the SNC have no authority and means to provide the UNTAC with the evidence. Once again, I would like to tell you that the Cambodian people know the hideouts of the Vietnamese and how they have disguised themselves.

3. You said civilian foreign workers and nationals in Cambodia cannot be regarded as foreign forces. I would like to note that the issue of the foreign workers and nationals who are subjected to ordinary laws and regulations, is different from that of the Vietnamese settlers. As for the Vietnamese settlers, they are part of the plan to Vietnamize Cambodia and the Indochinese federation strategy of the Hanoi Vietnamese. As such, this issue should be appropriately resolved, as it grossly violaties

Article 49 of the Geneva 12 August 1949 Convention on the Protection of Civilians in Wartime.

I would like to point out to you that Vietnamese settlers are neither ordinary Vietnamese nationals who have come to do business in Cambodia nor are they the generally known refugees.

4. You said those who are attempting to instigate the people against any group of foreigners for whatever reason, are affecting the peace process in Cambodia. On this issue, I agree with H.E. Son Sann, who, in the presence of the SNC, stated: Our demand that the Vietnamese leave Cambodia is to safeguard the Cambodian nation and keep the Vietnamese aggressors at bay. We cannot be accused of being racist.

I would like to reaffirm to you that the PDK, which is a signatory of the Paris accords and the convention on the abolition of apartheid, has steadfastly adhered to the accord and convention. We demand that other signatory countries also scrupulously respect the accord and convention. Our present concern, as you already know, is to have the Paris accord, specifically the two key provisions—including the verification of the withdrawal of all categories of foreign forces from Cambodia and their nonreturn, and the vital role of the SNC as the unique legitimate body and source of authority in Cambodia—be correctly and impartially implemented.

To date, despite our just and appropriate proposal of 12 July 1992 to promote the peace process, we have not yet seen any measures taken to solve the situation.

Your Excellency, please, accept my highest considerations.

[Dated] 24 July 1992

[Signed] Khieu Samphan, head of the PDK and SNC member.

Indonesia

Spratlys Claimants Urged To Act With Restraint

BK2907111792 Jakarta ANTARA in English 1006 GMT 29 Jul 92

[Text] Jakarta, July 29 (OANA-ANTARA)—Indonesia expected all countries which lay claim to the Spratly Islands to act with restraint after China's decision to postpone the implementation of its maritime law which encompasses their claims on the Spratly Islands, said Foreign Minister Ali Alatas here Wednesday.

"Indonesia expects all countries involved in the Spratly issue not to change the existing status quo," Minister Ali Alatas told journalists after reporting results of the ASEAN ministerial conference held in Manila to President Suharto.

Apart from China, Malaysia, Japan, the Philippines, Brunei Darusallam, Vietnam, and Taiwan have all filed claims to Spratly Islands.

While working for the most acceptable solution to the soverignty issue, Minister Alatas urged the disputing countries to cooperate together by launching environmental preservations programmes and a feasibility study of the oil and gas reserves of the islands.

Touching on Iraqi President Saddam Husayn's statement not to attend the tenth NAM [Non-Aligned Movement] summit in September in Jakarta, Alatas said that he has only heard it from newspapers and cannot confirm the report. President Saddam Husayn told Indonesian special envoy Trade Minister Arifin Siregar recently that he could not attend the Tenth NAM Summit in September in Jakarta as his country is facing the United Nations air embargo.

Suharto Receives Singapore Defense Chief

BK2907131792 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 29 Jul 92

[Text] President Suharto has expressed satisfaction over the achievements made by Indonesia and Singapore in their joint efforts to eradicate piracy in the Straits of Malacca. Following his meeting with President Suharto at Merdeka Presidential Palace today, Singapore's Chief of Defense Force Major General Ng Jui Ping said that Indonesia's Navy recently nabbed several pirates and increased joint patrols can overcome the piracy problem faster.

Meanwhile, responding to newsmen, Indonesian Armed Forces Commander General Try Sutrisno reiterated that there is no need to deploy an external force in an effort to curb piracy in the Straits of Malacca. Each nation is capable of handling the problem individually or through bilateral cooperation within the region.

During the meeting, Maj. Gen. Ng and President Suharto discussed significant issues related to long-term security in the Southeast Asian region.

Radio Reports on 18 Fishermen Freed by Australia

BK2907153392 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 29 Jul 92

[Text] The Australian Government recently released 18 Indonesian fishermen from Merauke, Irianjaya who violated the country's territorial waters while conducting illegal fishing activities. In his clarification in Jayapura, Merauke Political Department Chief Alex Suyono said the 18 fishermen were caught while conducting illegal fishing activities in Australian waters. The fishermen, who were from Cilacap, Central Java were employed by a fishing company in Merauke.

According to Alex Suyono, six of the 18 Indonesian fishermen who were released were transmigrants from a transmigration center in Merauke.

Laos

President Receives DPRK Friendship Group

BK3007031992 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 29 Jul 92

[Text] This morning at the party chairman's guest house in Vientiane, Kaysone Phomvihan, chairman of the Central Committee of the Lao People's Revolutionary Party and president of the Lao People's Democratic Republic, received a courtesy call from Yi Chol-pong, DPRK minister of city management and chairman of the Korea-Laos Friendship Association.

The meeting and conversation between the host and the guest proceeded in an atmosphere of friendship and good will. Kaysone Phomvihan hailed Yi Chol-pong and his party for paying the visit to Laos to strengthen the solidarity between the parties, governments, and peoples of Laos and Korea. President Kaysone Phomvihan conveyed his greetings to Kim Il-song, chairman of the Workers Party of Korea Central Committee and DPRK president.

The chairman of the Korea-Laos Friendship Association seized the opportunity to express his gratitude and thanks to the Lao party, government, and people for wholeheartedly supporting the cause of the just struggle of the Korean people for the peaceful reunification of their country.

Defense Ministry Marks Chinese PLA Anniversary

BK3007022192 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 30 Jul 92

[Text] On the evening of 28 July, the National Defense Ministry held a meeting to hear a lecture on the 65th founding anniversary of the Chinese People's Liberation Army [PLA] at the Army General Political Department meeting hall.

Attending were Lieutenant General Ai Souli-gnaseng, member of the party Central Committee, deputy national defense minister, and director of the Army General Political Department; Comrade Somphet Thitmala, member of the party Central Committee and director of the Army General Logistics Department; comrades deputy directors of the Army General Political Department; many senior and intermediate-level military officers; and several hundred officers and soldiers attached to the National Defense Ministry.

Comrade Colonel Li Laichen, PRC military attache to Laos, gave the lecture at the meeting, clearly explaining the PLA's glorious achievements in intensifying its great role in national liberation, defense, and construction in the past. The comrade noted that under the new conditions, the PLA's qualitative modernization in both the military and political fields was important. Therefore, attention must be paid to consolidating and simplifying its organization to become a strong regular force. In conclusion, the comrade reiterated that in the new period, the long-standing tradition of solidarity between the armies and peoples of Laos and China will be further developed and strengthened. As PRC military attache, he said he would strengthen his role as a link in this relationship.

After the end of the lecture, the audience watched a documentary on the tradition, the building and consolidation of strength, and the contributions of the PLA to national defense and construction.

Official Concerned at Environmental Degradation

BK2907132892 Vientiane KPL in English 0910 GMT 29 Jul 92

[Text] Vientiane, July 29 (KPL)—The past serious forest destruction is causing changes to environment in the country, said Mr. Noukon Simmavong, director of the Environment Protection Organisation, Ministry of Agriculture and Forestry, in an interview to VIENTIANE MAI newsman yesterday.

He mentioned some examples of environmental problems. In the northern part of the country, soil erosion is very serious, on average, soil erosion in a given area of one hectare is between 16-18 tons a year. This leads to soil degradation and unbalance, a fall in agricultural output, and drying up of rivers and streams.

Concerning the drying up of rivers and streams, the navigation on Nam Ou River between Nam Bak and the northernmost Phong Saly Province in the past were possible whole year round but not it is so only in the rainy season. The generation of electicity at Nam Dong power station in Luang Prabang during March and June is now possible only one hour a day. Nowadays the Nam Ngum Dam operates only two turbines out of the total four due to the low level of the water in the Nam Ngum reservoir.

Accordingly, the organisation is planning to collect data in a bid to find solution to these problems.

Mr. Noukon Simmavong further pointed out that Nong Chan, a marsh in the heart of Vientiane capital, became dried up and polluted since it gathered waste from the communities in the capital. In this connection, the organisation has installed equipment to collect data and information on waste water under the project of marsh allocation and use and aquatic animal preservation.

Trade Union Issues Instruction on Congress

BK2907122392 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 29 Jul 92

["Instruction" issued by the Federation of Lao Trade Unions Central Committee to executive committees of trade unions of all provinces, municipalities, branches of service, and grass-roots movements throughout the country on preparations for third nationwide trade union congress—dated 24 July 1992]

[Text] Implementing Resolution Nos. 5 and 19 of the Lao People's Revolutionary Party Central Committee Political Bureau on the granting of authorization to the

Federation of Lao Trade Unions [FLTU] Central Committee to make arrangements for the convening of its congress and on the appointment of a committee in charge of preparing for the congress; to translate into reality the resolution of the fifth party congress in order to encourage and boost the movements of trade unions at various levels to score achievements to welcome the third nationwide trade union congress so as to make it filled with profound significance and contents; to publicize the resolution of the fifth party congress through lectures to cadres, trade union members, state employees, workers, and laboring people of Laos to enable them to acknowledge and further understand the position, roles, duties, and interests of the trade union organization; and to encourage all economic, cultural, and social sectors and people of all strata to make material and spiritual contributions to the third nationwide trade union congress, the FLTU Central Committee, in collaboration with the committee in charge of making preparations for the congress, has therefore issued an instruction to the trade union executive committees of all provinces, municipalities, branches of service, and grass-roots organizations throughout the country to score achievements, under different forms, to welcome the congress with the following contents:

1. After holding their congresses, trade unions of various provinces, municipalities, branches of service, and grass-roots movements are instructed to organize to carry out concrete movements to translate into reality resolutions adopted by their congresses.

2. For trade unions of those provinces, municipalities, branches of service, and grass-roots movements that have not yet held their congresses, they are instructed to launch movements to make preparations for the convening of their congresses. If the situation or conditions in their localities do not permit, they are then instructed to hold meetings of cadres and union members to review past activities and select delegates to participate in meetings at higher levels.

3. Organize lectures on the position, roles, duties, and interests of the trade union organization and publicize the draft political report, revised rules and regulations, and draft law on rights of trade unions to the cadres and union members so that they can contribute views on the contents of the draft political report, revised rules and regulations, and draft law.

4. Positively contribute and pay attention to carrying out the national defense and public security maintenance work. For example, organize to educate and train the cadres, trade union members, state employees, workers, and laboring people to heighten vigilance against the enemy's schemes to affect a peaceful change in order to securely protect public, collective, and personal property.

5. The contents of the movements to score achievements to welcome the congress, including the overall contents of the four points above, must conform to the political duties of trade unions of all localities, branches of service, and grass-roots movements in each stage in order to worthily contribute to the cause of defending and developing the country.

Methods of organizing to implement the instruction:

1. The FLTU Central Committee is authorized to prepare contents of lectures, the draft political report, the draft revised rules and regulations, and the draft law on rights of trade unions along with essential questions on them, and present them to trade unions of the provinces, municipalities, branches of service, and grass-roots movements. They are also authorized to organize lectures and collect views on the draft report, rules, regulations, and law.

2. The FLTU Central Committee, together with the municipalities, branches of service, and grass-roots movements attached to the Central Committee, must organize to turn to certain provinces as seen necessary to carry out activities to implement the contents of this instruction.

3. Make use of mass media tools to publicize the contents of this instruction, organize to collect information about achievements of various movements and then publish those achievements in newspapers, broadcast them via radio and television programs, or announce them through the loudspeaker system.

4. Take into consideration and discuss in detail how to translate into reality the line and policies of the party and various plans of the administration in implementing the instruction in accordance with their respective roles and responsibilities.

Upon receiving this instruction, the executive committees of trade unions of the provinces, municipalities, branches of service, and grass-roots movements are requested to urgently study and organize to effectively implement it based on the practical conditions of their localities. After launching the movements in implementing the instruction, the trade union committee of each locality is requested to review and assess the achievements and remaining points and then report them to the FLTU Central Committee before 1 September 1992.

Thongsing Thammavong Speaks at Oudomsai Meeting

BK3007022392 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 30 Jul 92

[Text] In his address delivered at the fourth conference of the party committee of Oudomsai Province, which was held between 25 and 27 July, Thongsing Thammavong, Political Bureau member of the party Central Committee and head of the party Central Committee Organizational Board, speaking on behalf of the party Central Committee and in his own name, expressed wholehearted acclamation for the proceedings undertaken at the conference.

In his address, Thongsing Thammavong highly assessed the achievements and victories won by the armed forces, cadres, state employees, workers, and multiethnic people of Oudomsai Province in the past recent years, thus actively contributing to gradually enriching the cause of national defense and construction. At the same time, he also pointed out the complex, changing world situation and the schemes of bad elements in trying to create disturbances to undermine and destroy peace among our people. He then called on all services to actively take the initiative to effectively implement and transform into reality Resolution No. 11 adopted by the party Central Committee Political Bureau on the tasks of national defense and public security and to increase and concentrate all efforts and resources on building the economy by gradually transforming natural agricultural production into goods production and vigorously promoting and boosting the family economy among farmers.

In addition to discussing the tasks of national defense, public security, and economic development, Thongsing Thammavong also noted the significance of work in the education, cultural, and social spheres, which should be consolidated, developed, and expanded step by step.

Sports Minister Addresses Educational Conference

BK2807112492 Vientiane KPL in English 0902 GMT 28 Jul 92

[Text] Vientiane, July 28 (KPL)—The Ministry of Education and Sports opened here yesterday the annual conference of educational administrators. The objectives of the conference are to assess the educational and sports activities in schools during the 1991-1992 academic year, to map out plans for education and sports development in the next academic year, and to adopt an organisational structure of the education-sports sector from central to district levels.

The conference also discusses the aims and plans for general education for the entire country and pass plans for the development of education quality, especially general education, adult education, upgrading programme for governement personnel, and teachers' training and refresher course.

Addressing 120 education and sports officials across the country, Mr. Saman Vi-gnaket, minister of education and sports, pointed to the significance of the annual conference. The present situation demands for a renovation, new improved standard of education to meet social demand. "Consequently, the task of this conference is not only to pinpoint weak points and shortcomings of the education from the previous years but also to find ways and measures to materialise the direction to gradually raise the national education level to international standard", stressed the minister.

Mr. Saman Vi-gnaket also praised the achievement in education in the last academic year. In particular, teachers and educational personnel throughout the country fulfilled their duties despite various for the sake of education development and expansion. [sentence as received]

An outstanding phenomenon of last school year was the resumption to teaching job by teachers who had quit their job. Many domains in education and sports have seen some development.

The conference will last six days.

Premier Discusses Economy With Khammouane Cadres

BK2907085592 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 28 Jul 92

[Text] While visiting Khammouane Province on 21 July, Prime Minister Khamtai Siphandon held talks with leading cadres of the province on ways and means of boosting efficiency in agricultural production and economic development in the area.

The prime minister remarked that at each step of the project to produce goods, leading provincial authorities must exert their utmost efforts to implement measures and provide facilities to encourage the farmers' production processes. For example, this year, support must be rendered to farmers to enable them to complete their main rice cultivation within due time and to achieve the set target. At the same time, provincial authorities will also have to actively and seriously make all preparations against possible future drought and floods in order to prevent natural disasters from causing hardship to people again.

On this occasion, Prime Minister Khamtai Siphandon also stressed the importance of protecting work in the fields of economy, planning, and finance, which are among the primary factors for a gradual development of the economy in the province.

Philippines

Group Says U.S. Plans Access to 22 Ports

HK3007012592 Manila THE CHRONICLE in English 30 Jul 92 p 1

[By Gemma Tampus]

[Text] The US Navy is seriously planning access to 22 Philippine commercial ports, the Nuclear Free Philippines Coalition [NFPC] said yesterday.

NFPC Chairman Roland Simbulan presented to reporters at a press conference a supposedly "restricted" document indicating that access arrangements with the Philippines are being considered by the American military to the following ports: Cebu, Davao, Manila, San Fernando, Cagayan, Batangas, Bacolod, Iloilo, Dumaguete, Tacloban, Masbate, Legaspi, Laoag, Roxas City, Lingayen, Romblon, Baybay, Tagbilaran, Zamboanga, Puerio Princesa, Calbayog and Subic Bay.

The document, entitled "Port Directory Guide For Visiting Ships," was supposed to have been prepared by the US Fleet Intelligence Center, Pacific, for the Commander in Chief of the Pacific Fleet.

Simbulan said the document was prepared last year shortly after the Senate had rejected a new bases treaty that would have allowed the US continued use of bases in the Philippines. He refused to reveal how and from whom he acquired the document.

The report was released in the wake of impending discussions on the possibility of continued access of US troops to Philippine territory even after the termination of the 1947 Military Bases Agreement.

During the recently concluded 25th Association of Southeast Asian Nations Ministerial Meeting, the Asean countries have agreed that there is a need for US forces to stay in the region because of perceived Japanese threat.

Citing this year's move of Japan to allow troops to participate in the United Nations peace-keeping missions, the Asean members concluded that there is a need to maintain some sort of political stability in the Southeast Asian region.

This position has consequently placed a tacit pressure on the Philippine government to open its doors once more to the US military.

President Ramos has said that talks about US military access will not materialize unless the American government will initiate the move. In any case, the matter is expected to be taken up during the Mutual Defense Board meeting between the two governments late this year.

The classified US Naval report considered among others the capacity of the ports to accommodate military vessels, airfields, road, rail and steamer transportation, services, logistics and general information about the ports.

Since the American military has made it a policy not to deny nor to confirm that its vessels are carrying nuclear weapons, Simbulan said the plan of the US Navy violates the antinuke provision of the Philippine Constitution.

Simbulan also said he feared that this move would sever our economic ties with friendly countries such as Iraq and other Middle East nations which the US regards as hostile.

Simbulan also expressed apprehensions that an access arrangement with the US would undermine our relations with other countries.

He said that the NFPC will conduct an information drive against the plan to make the country a "staging ground for military intervention."

Asked by the Chronicle about the authenticity of the document, US Embassy spokesman Murton Smith said he doesn't understand what the paper was all about and called it "nonsense."

Smith also said Simbulan "does not know what he is talking about."

But at the same time, Smith did not rule out the possibility of US military vessels' visiting Philippine ports in the future.

He said everything would depend on the outcome of the two governments' mutual defense treaty meeting late this year.

Manila Recognizes Georgian Republic Sovereignty

HK3007061892 Quezon City MALAYA in English 30 Jul 92 p 2

[By Carlito Pablo]

[Text] The Philippines yesterday recognized the Republic of Georgia as a sovereign and independent state saying it welcomes the establishment of diplomatic relations between the two countries.

"We trust that its membership in the international community of nations will contribute to peace, stability and security to the region and the world as a whole," a government statement said.

The statement added: "We wish the Republic of Georgia success in assuring its people democracy, human rights and a free market economy."

The move came after the recent establishment of the State Council of Georgia chaired by former Soviet Foreign Minister Eduard Shevardnadze.

Ramos, Senators Agree on Working Relationship

HK3007061992 Manila MANILA BULLETIN in English 30 Jul 92 p 1

[By Fred M. Lobo]

[Text] President Ramos and the Senate agreed yesterday to work together and adopt measures aimed at promoting political stability and the country's economic recovery.

In a meeting yesterday at Malacanang, the senators expressed to Ramos their support for the amnesty program and the move to legalize the Communist Party of the Philippines (CPP) and similar organizations, alongside efforts for economic recovery, primarily through trade and investments and tax reforms that would raise billions and jail tax evaders.

The President also vowed to provide affordable power or electricity nationwide, including far-flung rural areas.

He said that power provision and checking of brownouts will be carried out through the creation of the Department of Energy (DOE) and the help of rural electric cooperatives.

Ramos invited the senators yesterday to a meeting at Malacanang in what insiders called a "strategic political courtship" of the Senate dominated by opposition forces.

Presidential spokesperson Annabelle Tecson Abaya said "the President obtained the assurance of the Senate for support on the Executive Department's priority bills, particularly addressing trade and investments and political stability."

Senate President Neptali Gonzales told Ramos that the Senate welcomes the Malacanang legislative agenda as it coincides with the thinking of the senators.

Ramos was also informed by Sen. Orlando Mercado that he will sponsor the bill seeking the repeal of RA [Republic Act] 1700 which outlaws the Communist Party. The bill seeks to legalize the CPP and similar groups.

The legalization of the CPP was sought by Ramos alongside the adoption of a two-step amnesty program for all rebels.

Sen. Gloria Macapagal Arroyo also told the President that she will file a bill seeking to break down barriers to foreign investments, in addition to a bill seeking approval of the Condominium Act.

Ramos and his Cabinet discussed with the senators various areas in trade and investments such as the liberalization of the foreign exchange market, trade liberalization, tariff adjustments, and countertrade activities.

"On fiscal policies, the President and the senators agreed to take decisive action to swiftly mobilize the economic recovery program," Abaya said.

She said that the actions will cover reforms on the value-added tax program, increased penalties for tax evasion, including mandatory jail term for tax evaders as proposed by Finance Secretary Ramon del Rosario, creation of confidential positions in the Bureau of Internal Revenue and creation of tax courts.

Other areas discussed were education, housing and health.

Meanwhile, Ramos vowed to improve power provision in a speech before the International Convention on Rural Electrification at the Westin Philippine Plaza hotel.

He said that he will push for the creation of a Department of Energy to handle and coordinate power provision planning and programs.

Ramos also asked the National Electrification Administration (NEA) and rural electric cooperatives (RECs) to try their best in helping solve the country's power problems.

During the same occasion, the first copy of *Light Years*, a book on the history of rural electrification in the Philippines, was given to Ramos by NEA Administrator Rodrigo E. Cabrera, who authored the book.

The book traces the growth of the rural electrification program as well as discussed comprehensively the global national political conditions which necessitated shifts in program direction the status of NEA's agenda for growth, regionalization strategy and an analysis of the factors which contributed to the success or failure of rural electric cooperatives, said Cabrera.

Interested persons were asked to call the NEA public relations office, 9th floor, Triumph Building, 1610 Quezon Ave., Quezon City, 922-3197, 921-2141, or 921-2140 local 8.

Creditors Support Ramos Economic Program

HK3007050892 Manila MANILA BULLETIN in English 30 Jul 92 p B-1

[By Fil C. Sionil]

[Text] The country's multilateral and bilateral creditors have expressed strong support to the leadership of President Fidel V. Ramos to bring about economic progress in the country.

In a joint report to the Chief Executive, Finance Secretary Ramon del Rosario Jr. and Central Bank [CB] Governor Jose L. Cuisia Jr. said that the Japanese and United States governments as well as the International Monetary Fund (IMF) and the World Bank (WB) gave "very positive outlook" about the country's economic situation.

But Del Rosario and Cuisia informed the President that they objected in their meeting with IMF officials in Washington to the proposal of the Fund to impose "specific action requirement" regarding the fiscal obligations as conditions for the completion of the June 30 review.

Earlier, Cusia admitted that due to slippages in the monetary targets prescribed in the economic stabilization program (ESP) the second performance review has been delayed.

"We strongly resisted attempts by the IMF to impose specific action requirements on the fiscal side as conditions for the completion of the June 30 review," both Cuisia and Del Rosario told the President.

The economic managers added that they instead "agreed that once monetary targets are back on track, we would pin down the remaining requirement for the completion of the review, including a possible review mission sometime early in August."

Asked to expound on the "specific action requirements" recommended by the Fund officials, Cuisia said these involved the sale of more government assets to the private sector, among others.

Cuisia contended that these actions need not be undertaken as the country already met the fiscal indicative targets. The problem still to be addressed is the reserve money level which accelerated to a level more than what has been programmed.

According to Cuisia, they have assured the Fund that such targets or level of liquidity in the system will be corrected before the end of the month as the CB implements measures to address the issue.

The two economic managers also reported that upon the completion of the IMF review the Philippines should already start negotiations with the fund for a medium-term facility which can support a growth oriented medium-term economic program.

Corollary to this, both recommended to the President a three-point action program:

—Ensure that the IMF review be completed as soon as possible and in this regard, CB must take whatever measures necessary to achieve its reserve money and base money objectives by July 1992;

—Ensure the successful completion of the ESP and laying the groundwork for higher public investments by pushing for legislation that will meaningfully address the fiscal deficit reduction objective over the short- and medium-term through revenue enhancing measures; and

—Commence preparation for a successor program to the ESP by formulating a medium-term growth-oriented program which CB be supported by the IMF and the WB. [sentence as published]

Rural Electrification Gets 150 Million Pesos

HK3007053592 Manila THE CHRONICLE in English 30 Jul 92 p 9

[By Maricor Zapata]

[Text] The World Bank [WB] and the Overseas Cooperation Fund (OECF) of Japan will be granting soft loans amounting to a total of $152.7 million this year to the National Electrification Administration (NEA) for the rehabilitation and capital upgrading of around 100 rural electric cooperatives nationwide.

This was revealed yesterday during the first plenary session of the 1992 international convention on rural electrification by John A Patterson, acting director of US Agency for International Development (USAID).

Patterson said the NEA projects to be funded by the foreign assistance from WB and OECF would be worked on in coordination with NEA's current technical assistance program, which is being funded by a $40-million grant approved by the USAID in 1988.

Proposed Tax Measures To Encounter Difficulty

HK3007055392 Manila BUSINESS WORLD in English 30 Jul 92 p 30

[By Ma. Caridad S. Bautista]

[Text] The Executive Department is facing a tough battle with Congress on its proposed tax measures even as President Ramos yesterday received support from senators on further liberalization of the foreign exchange market and international trade.

Presidential spokesperson Annabelle Abaya admitted in a press briefing yesterday that the Department of Finance [DOF] will meet a "tough sailing" as it tries to justify the need to impose more taxes.

The Government is proposing revenue-generating measures, including additional taxes, to generate P18.9 billion [pesos] to support the 1993 national budget. Even with these new measures, however, the country will still have a budgetary deficit of P22.1 billion.

Senate President Neptali Gonzales, after his meeting with the President (the President met with 22 other solons), told reporters that the senators were in agreement with the general thrusts of the administration's legislative agenda.

The objections, he said, were centered on the new tax measures proposed by Finance Secretary-designate Ramon del Rosario. "Like taxes on soft drinks and other carbonated drinks," he pointed out, "the senators immediately reacted to that."

He disclosed that the senators voiced their objection to the President saying imposing a tax on carbonated drinks was not like taxing a luxury item. In fact, one senator said it was "detrimental to the poor."

The other revenue-generating measures being proposed by the DoF include: increasing the coverage of VAT [Value Added Tax], P1.6 billion; further refinementsin VAT, P1.8 billion; setting up confidential positions in the Bureau of Internal Revenue (BIR) and Bureau of Customs (BoC), P3.6 billion; abolition of the gross receipt tax, P1.5 billion; adjustment in sin taxes, P1.9 billion; excess energy consumption tax, P100 million; tax on realty speculation P100 million; and 20

excise tax on non-essentials P800 million. Some of these have already been proposed to the previous Congress.

So far, the DoF has only identified less than one-half of the proposed new measures. Based on data from that department, P10.1 billion wil be derived from "still to be identified measures." (The proposed tax on carbonated drinks may already be included in this.)

Under the proposed 1993 national budget, total revenues expected by Government will be P284.2 billion (including new measures). The BIR must come up with P155.9 billion. On this regard Sen. Raul Roco urged the Government to instead increase tax collection efforts. He said of the 14 million potential taxpayers, only two million are paying their taxes.

From the BoC, the Government is expected to generate P80 billion and another P2.9 billion from other offices.

Non-tax revenues will be P28 billion: collections from offices P15.7 billion; foreign grants P1.9 billion; economic support fund P1.4 billion; PCGG [Philippine Commisson on Good Government] collections P500 million; APT [Additional property tax] collections P1 billion; interest income from Central Bank P6.8 billion; interest on advances to corporations P700 million. Liberalization

During the same meeting with the senators, the President was assured that further liberalization of trade and the foreign exchange market will get the support of the Senate.

Sen. Heherson Alvarez said the general thrust of the development programs is to allow more foreign investments, "liberalize the entry of foreign investments...free the foreign exchange from the fetters of regulations...allow a freer foreign exchange and let the peso seek it own value," he said.

Ms Abaya said Sen. Gloria Macapagal-Arroyo also raised the issue of whether to change the current policies on the foreign exchange rate or not. "It was whether to let the rate be based on the amount of dollar coming in or as defined by the Central Bank based on the needs of the country," Ms. Abaya quoted Sen. Arroyo as asking. She admitted however, that Government is yet to decide on this issue.

On trade liberalization, Sen. Arroyo said she filed a bill that seeks to break down the barriers of trade and the Condominium Act.

As explained by Sen. Alvarez, there is going to be a package of legislation which will allow more assurance to foreign investors. "Their tenure on big resources like land, how many hectares should they keep...we have to define this very carefully," he said.

Sen. Alvarez said if foreign investments will be intended for industrialization "then there will be liberalization." "But this is going to be a lease in itself and amendment to the condominium law," he added.

Two Top Manila Police Officials Relieved

HK3007035792 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 29 Jul 92

[Text] Superintendent Ernesto Diokno, chief of the Western Police District [WPD], has been replaced by Senior Superintendent Proceso Almando, former deputy head of WPD.

Police officials are still deliberating on who will be tapped to replace Chief Inspector Jose Pring, head of the WPD anticarnapping task force.

Philippine National Police [PNP] Director General Cesar Nazarenao said he asked Diokno to take a vacation, as recommended by Interior and Local Government Secretary Rafael Alunan. The removal of Diokno and Pring was ordered by Alunan while the men were being investigated for links to kidnap-for-ransom syndicates.

Chief Superintendent Angel Quizon, chief of the PNP Internal Affairs Division, said he will announce today the result of the investigation of Diokno, Pring, and chief inspector Timoteo Sarcal, former chief of the Special Investigation Group, who was also linked to the kidnap syndicate.

Congress To Support Repeal of Antisubversion Law

HK3007030192 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 29 Jul 92

[Text] Leaders of the two houses of Congress have agreed to support the repeal of the 35-year-old antisubversion law. The move is the first step in the granting of amnesty to all rebels.

Senate President Neptali Gonzales and Speaker Jose de Venecia said it is time to review the antisubversion act in line with the efforts of the Ramos administration to end the insurgency problem.

Meanwhile, members of Congress have started discussions on the general amnesty program for all kinds of rebels.

Police Free 13 Suspected Communist Rebels

HK3007035692 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 29 Jul 92

[Text] The Philippine National Police [PNP] has freed 13 suspected communist rebels who were arrested Monday [27 July] in raids in Quezon City. But PNP Intelligence Chief Senior Superintendent Dictador Alqueza said the detainees will still face subversion charges. Alqueza said the PNP decided to free the 13 alleged New People's Army [NPA] rebels in line with the government's efforts toward peace and reconciliation. Some of those freed said they hope the peace initiative of President Fidel V. Ramos was not just propaganda.

Secretary Notes Communist Legalization Problem

HK3007054592 Manila BUSINESS WORLD in English 30 Jul 92 p 30

[By Wilfredo G. Reyes]

[Text] Defense Secretary and National Unification Commission (NUC) chairman Renato S. de Villa yesterday disclosed that the status of the NPA [New People's Army] as opposed to the CPP [Communist Party of the Philippines] and the NDF [National Democratic Front], would constitute a problem for the NUC once the CPP is legalized.

Specifically, he said members of the NPA who are apprehended for illegal possession of firearms or for the unauthorized carrying of such arms in public after the party's legalization would be charged under the provisions of the Revised Penal Code.

"We will treat it (the CPP) as a legal political party with a private army," Mr. de Villa said. "If the CPP is allowed to surface as a regular political party, eventually it will have to be distinguished from the NPA."

He admitted, however, the government has yet to adopt a definitive stand on this foreseen problematic dichotomy. "It will have to be addressed by the NUC," the defense secretary declared. "Somehow, this issue will have to be resolved as soon as Republic Act 1700 is repealed."

Nevertheless, he warned CPP members to follow established laws. "For example, a member of the CPP who walks in Luneta with an M-16 will have to be caught and charged under the Revised Penal Code," Mr. de Villa stressed.

Mr. de Villa also acknowledged potential complications due to the CPP/NPA's fragmentation into highly autonomous commands. "The NUC will have to talk with various factions and leadership segments," he said.

He further stressed the commission would enjoy operational flexibility in order to address various possible situations. "The NUC can design its own process, conduct extensive dialogue and consultations with all sectors," he emphasized.

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Militant Labor Group Denies Ties With CPP

HK3007035592 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 29 Jul 92

[Text] The May 1 Movement [KMU] has denied it is an ally and supporter of the Communist Party of the Philippines [CPP] headed by Jose Ma. Sison.

In an exclusive interview with Radio Station DWIZ's Headline Patrol No. 5, KMU Chairman Crispin Beltran said the KMU and other militant cause-oriented groups simply share a common view on national issues.

He said KMU's existence is in observance of the Philippine Constitution, unlike the CPP, which does not believe in the Constitution.

Beltran's statement was in response to the recent statements of Sison and his wife in a television interview in Europe.

Thailand

General To Comply With Decisions on May Events

BK2907025692 Bangkok THE NATION in English 29 Jul 92 pp 1, 2

[Text] Prime Minister Anan Panyarachun is considering moving at least three top level Armed Forces officers to less important posts in an attempt to defuse the political timebomb left by the May massacre, well-informed sources said last night.

To arrive at his decision, Anan will consider a Defence Ministry committee report of its inquiry into the violence, the sources said. The report was submitted to the prime minister on Monday by Defence Minister Gen Banchop Bunnak.

The sources said the findings implied that military action to disperse prodemocracy demonstrators in May was "heavy-handed", although there was no clear-cut conclusion about who should be blamed for the violence.

In the wake of the fatal prodemocracy protests, there have been widespread public calls for the removal of senior military commanders.

In particular, three officers have borne the brunt of the anti-military attacks—Supreme Commander Air Chief Marshal Kaset Rotchananin, who is also air force commander in chief, Army Commander in Chief Gen Itsaraphong Nunphakdi and First Army Region Commander Lt Gen Chainarong Nunphakdi. All three were directly involved in the bloody crackdown.

An announcement of the changes among the top brass is expected very soon, the sources said.

Banchop, yesterday welcomed a pledge by Chainarong to comply with any decision made by the government even if he was transferred as a result. It was an "honourable thing" to show responsibility for one's deeds, Banchop said.

"I take it as a good sign, and I appreciate that. I think everyone will agree with me that it is an honourable thing to show responsibility," he said.

Anan is now considering the findings of the Defence Ministry committee inquiry into the violence. He has yet to receive the report of a government-commissioned team which is also investigating the massacre.

During the past few weeks there has been widespread speculation about possible government plans to move military leaders held responsible for the crackdown to less influential posts.

ACM Kaset and Gen Itsaraphong, in particular, were widely blamed for what was considered excessive use of force to quell pro-democracy protesters seeking the ouster of the then prime minister Suchinda Khraprayun. Suchinda, who was not an elected parliamentarian, was a classmate of Kaset and Itsaraphong at the Chunlachomklao Royal Military Academy.

At least 52 people were confirmed killed and hundreds wounded when troops fired on unarmed protesters on Ratchadamnoen Avenue between May 17 and May 20. The Interior Ministry and pro-democracy groups say hundreds are still unaccounted for.

Banchop said he had also forwarded to Anan a military reshume list prepared by the chiefs of the armed forces.

"But I have no idea whether the prime minister has finished reading it," he said. "It is top secret."

Banchop refused to comment on the content of the Defence Ministry report, its recommendations or whether the findings would lead to a military reshuffle.

Anan and Banchop have said the findings of the government and Defence Ministry committees will have a bearing on the annual military reshuffle due on Oct 1.

Banchop said he believed Anan would make his decision based on the findings of the two committees and not pressure exerted by various groups of people.

On Monday, Anan said he would announce the findings of the Defence Ministry investigation into the bloodshed himself, but did not say when that would be.

Deputy Supreme Commander Wimon Wongwanit, among potential candidates tipped to replace Itsaraphong as army chief, yesterday said he had not been approached with an offer of the job.

After participating in a religious ceremony at a special warfare unit in Lopburi province, Gen Wimon said he knew no details of the forthcoming military reshuffle.

Asked if he had been approached to take the army's top job, Wimon said "No".

"I don't know whether (the reshuffle) wil be linked to the May incident and I have no idea what the investigation results (of the Defence Ministry committee) are," he said.

Officers Resist Army Chief's Removal

BK3007014992 Bangkok THE NATION in English 30 Jul 92 p A1

[Text] A group of senior army officers said yesterday they wanted Army Commander in Chief Itsaraphong Nunphakdi to stay on regardless of the outcome of the government investigation into the May 17-20 bloodshed.

Lt Gen Yutthana Khamdi, deputy army chief of staff, said army officers who did not want to see Gen Itsaraphong removed from the top post may seek a meeting with Defence Minister Gen Banchop Bunnak to make known their view.

"If you ask us how we feel (about the call for the military shake-up), we have to say that we don't want our leader transferred. We want him (Itsaraphong) to have the opportunity to get down to work," Yutthana told reporters at a press conference after a monthly meeting of commanders of army units from throughout the country at Supreme Command.

It was not clear whether the view expressed by the deputy army chief of staff was shared by other commanders at the meeting.

The statement comes at time when Prime Minister Anan Panyarachun is studying the possibility of relegating three top military officers, including Supreme Commander ACM [Air Chief Marshal] Kaset Rotchananin and Itsaraphong, to less powerful positions.

Meanwhile, the prime minister met Gen Banchop for two hours at Government House yesterday evening to discuss the findings of the Defence Ministry investigation into the May incident.

"I asked Gen Banchop to come over to explain parts of the Defence Ministry's report which I find difficult to understand and need clarification," Anan told reporters without elaborating.

Yutthana said Itsaraphong, who presided over the meeting of army commanders, appeared to have been "upset and disheartened" by the call for his ouster. ACM Kaset, also air force chief, and Itsaraphong were widely blamed for what was considered excessive use of force to quell pro-democracy protesters seeking the ouster of former prime minister Suchinda Khraprayun. Suchinda, who was not an elected member of Parliament, was a classmate of Kaset and Itsaraphong at the Chunlachomklao Royal Military Academy.

At least 52 people were killed and hundreds others injured when troops fired on unarmed protesters on Ratchadamnoen Avenue during May 17-20. The Interior Ministry and pro-democracy groups say hundreds others are still unaccounted for more than two months after the incident.

Yutthana, also a classmate of Suchinda, maintained troops deployed to put down the unrest in May did not use excessive force against the protesters. He said he believed the bloodshed was caused by a group of people who instigated the protest that turned into a riot.

He said Itsaraphong had shown responsibility for the blooddy crackdown but he did not say how.

"He (Itsaraphong) always wanted to come out publicly to show his responsibility, to give a press conference, and to resume work. But he was worried. He was afraid people wouldn't want to hear what he had to say," Yutthana said.

Yutthana said the findings of Defence Ministry and government investigation committees should not be linked to the annual military reshuffle due in October.

"I don't think the findings should be linked to military reshuffle. The military was only performing its duty to suppress a riot. We believe our mission was legitimate," the deputy army chief of staff said.

Anan and Banchop have said the findings of the government investigation committee will have a bearing on the annual military reshuffle.

Army Official: Military Believes Coups 'Obsolete'

BK2907135992 Bangkok Army Television Channel 5 in Thai 1230 GMT 29 Jul 92

[Text] Speaking to reporters about the meeting of commanders of Army units this morning, Lieutenant General Yutthana Khamdi, deputy Army chief of staff, reiterated that there will not be another coup d'etat because staging coups is obsolete. He said that Army Commander General Itsaraphong Nunphakdi instructed Army unit commanders at the meeting to see to it that all Army personnel take a neutral position in the upcoming general election and allow politicians to use army radio and television stations for their election campaigns.

[Begin Yutthana recording] The Army will be strictly neutral in line with the policy of the higher echelon and government and is willing to allow all political parties and election candidates to share equal use of the army radio and television media for their election campaigns. The Army personnel and their families will be encouraged to freely exercise their right to vote. The Army agrees with the resolution of the democracy-loving people that a coup d'etat is an obsolete act that obstructs national development. Therefore, the Army will resolutely stand on the side of the people forever. [end recording]

Navy Bans Show After Criticism Against Rightists

BK2907044192 Bangkok BANGKOK POST in English 29 Jul 92 p 3

[Text] The host of a radio talk show yesterday claimed his morning programme on the Navy-run Sor Thor Ror ("Voice of the Navy") station had been banned after he criticised the activities of the right-wing Aphirak Chakri group.

Sunan Sichanthra, editor of the THAI FINANCE newspaper, said he was the host of a show entitled "Discussion on Stock Trading" broadcast on Sor Thor Ror 93 MHz station each Monday-Saturday from 8 to 9 a.m.

The show featured information on stock trading and the political situation, he said.

Mr Sunan said he criticised the Aphirak Chakri group last Friday and called on Prime Minister Anan Panyarachun to stop the group's activities and take appropriate action against military officers responsible for the crackdown on pro-democracy demonstrators in May.

He said his show was ordered off the air on Saturday. The show has subsequently been withdrawn, but Mr Sunan did not say when the ban took effect.

The navy secretary yesterday issued a statement saying the show had been banned following a complaint from a company listed on the Stock Exchange of Thailand.

Mr Sunan said he was told by the station chief only that he felt the show and its political comments could affect the Navy.

The Aphirak Chakri group staged a rally at Sanam Luang last Wednesday where it accused the Prime Minister of trying to destroy the armed forces.

It also accused former opposition parties of instigating the riots which led to the May tragedy.

Supreme Command Comments on Fighting in Cambodia

BK2907033792 Bangkok BANGKOK POST in English 29 Jul 92 p 6

[Text] Fighting between the Khmer Rouge and the Heng Samrin regime for areas of control is spreading, according to Supreme Command information office director Anuson Kritsanaserani.

Speaking at a monthly press conference, he said fighting is reported to have taken place in Kompong Thom, Stung Treng and Preah Vihear provinces.

This month groups of Khmer bandits crossed the border and robbed Thai villagers, he said.

A task force has been set up to suppress the bandits and to control car and motorcycle theft.

Asked about the Thai engineering corps on road construction and mine-clearing assignments under United Nations sponsorship, he said that UN subsidies have not arrived, but that this has not affected operations.

The Supreme Command spokesman said the United Nations Transitional Authority in Cambodia has not asked Thailand to close the border to prevent cross-border trade with the Khmer Rouge, but UNTAC has set up checkpoints inside Cambodia in areas near the borders with Thailand, Laos and Vietnam.

Along the border with Laos, stringent measures have been taken at checkpoints to prevent infiltration by Lao resistance forces into that country.

On the Malaysian border, the repatriation of former members of the Communist Party of Malaya continues.

About two years ago some 1,100 CPM insurgents, conducting an armed struggle against the Malaysian Government from Thai soil, agreed to end their activities and defected to Thailand.

Lt-Gen Anuson said that of this number 408 asked to be repatriated and so far 211 have returned to Malaysia.

Japan To Help Relocate Nuclear Facilities

BK2907042992 Bangkok BANGKOK POST in English 29 Jul 92 p 3

[Tect] A six-member delegation from the Japan Atomic Industrial Forum (JAIF) yesterday held talks with Thailand's Office of Atomic Energy for Peace (OAEP) on a plan to update and relocate OAEP's nuclear facilities.

In a telephone interview, Tatsuo Aoki, general manager of JAIF's International Nuclear Cooperation Centre, said from Tokyo that OAEP had sought "technical advice" from JAIF on its plan to relocate its nuclear facilities.

"The facilities are for research purposes," he said, such as for the production of radio isotopes for medical use.

Mr Aoki added that the facilities may also be used in the research of nuclear activation analysis, but it depends on OAEP.

He denied the reactor would be used for experimental electricity generation.

However, the mass circulation MAINICHI SHIMBUN recently reported that JAIF was making preparations to export a nuclear reactor to Thailand, based on the JRR-3, which was developed by the Japan Atomic Energy Research Institute as a nuclear research vehicle with an output of 20,000 kilowatts.

It also reported that the JAIF delegation, headed by Dr An Shigehiro and including technical experts from Hitachi Ltd and NKK, the company that built the

JRR-3, was expected to present to Thai officials conceptual diagrams of a version of the JRR-3 able to produce 5,000 kilowatts of power.

If Japan is awarded the contract, it would conclude legal documents required for the sale of the reactor. Construction would take two or three years, and would begin in the second half of 1993.

In his telephone interview, however, Mr Aoki said the talks were aimed solely at "technical advice for the time being," and the prospect of selling a nuclear reactor would be discussed later.

Contacted yesterday, the information division of OAEP said further details would be available today.

Meanwhile, the Thai News Agency quoted OAEP Secretary-General Suchat Mongkhonphan as saying on Saturday that his office had plans for a "new site for the office's nuclear facilities" in Tambon Saimun, Ongkharak District, Nakhon Nayok Province.

He said some 150 community leaders and representatives were invited to visit the OAEP facilities on Wiphawadi Rangsit Road.

OAEP experts visited the community last June to explain the project.

JAIF is a non-profit organisation comprising some 800 companies, mainly nuclear component manufacturers, electric utilities and research and development organisations.

Requirements for New TV Stations Reviewed

BK3007012792 Bangkok BANGKOK POST in English 30 Jul 92 p 4

[Editorial: "New TV Channels Need Proper Planning"]

[Text] The enormous public interest in this week's Cabinet dicision to allow five new UHF television stations is not surprising. The public's thirst for balanced and objective news from the electronic media has been made all the more pronounced after the blatant distortion of events surrounding the May crisis by the state-controlled TV and radio networks. By itself, information is playing an increasingly important role in the conduct of our daily life—be it in the political, economic or social spheres.

On the surface, the rationale given by the Government in its determination to push through the five new TV stations quickly also sounds plausible. The quality of programming should improve as a result of competition among the new stations which will be privately run and operated. This in turn should force the existing four commercial stations namely channels 3, 5, 7, and 9—to improve their programming quality, which is less than impressive at present. The Government may well be pardoned for the apparent haste with which it is trying to demonopolise the electronic media within its short tenure, for a bold exercise of this nature is bound to run into stiff resistance from vested interests if it were undertaken by an elected government after the September poll.

But beneath this rosy picture lies a multitude of problems begging clarification. While the advertising industry welcomes the establishment of more stations because this will help do away with the monopolistic grip by the existing networks, concern has already been expressed in other quarters over how the new stations will be able to survive under more intense competition for the overall advertisement expenditure that will not grow proportionately. The Government has placed heavy emphasis on news, but the production of high-quality news and documentaries is extremely costly. Will the Government's objective not be defeated if the new stations are forced to concentrate on entertainment-type programmes such as soaps and game shows that do little to enhance political or social values but still manage to capture a larger share of commercials?

The government committtee headed by PM's Office Minister Michai Wirawaithaya that was charged with reviewing the state media had also emphasised the need to make the companies that will run the new stations public concerns, with as diverse a public share ownership as posssible. But the nagging question remains how these supposedly public companies will truly reflect public interests through their programming. Companies currently listed on the Stock Exchange of Thailand can claim the "public" status. Indeed all of them are legally required to make modifications in order to conform with the recently-enacted Public Companies Act. But are they "public" in the true sense of the word? It is no secret that the majority of them are controlled by single ownership blocs.

Industry experts have put the investment cost of a UHF station with nationwide transmission capability at around two billion baht. Given the intense competition for advertising revenue to guarantee survival, how are the interests of small shareholders going to be protected while at the same time ensuring that the broader objective of quality programming is not compromised?

The list of questions can be extended. The Government has obviously taken a positive initiative, though the new committee headed by Science & Technology Minister Phaichit Uathawikun will have to tackle these various questions with a realistic rather than overly-idealistic approach. For instance, instead of requiring instant nationwide transmission, the new stations should be allowed to start from a small base to develop specific market niches within a specified timeframe before they are required to expand areas of coverage. All stations willunderstandably want to focus on the most lucrative market in Bangkok, but they can also be assigned specific regions in the provinces as well.

On the question of ownership versus policy on programming, a clear line must be drawn to separate policy from commercial considerrations. The golden rule that has long proven successful in the case of newspapers may well apply here: quality editorial content borne out of an independent editorial policy build up readership which in turn generates more advertising revenue.

Australia

Keating Warns Vanuatu on Expulsion of Diplomat

BK3007041392 Hong Kong AFP in English 0221 GMT 30 Jul 92

[Text] Canberra, July 30 (AFP)—Australian Prime Minister Paul Keating told the tiny Pacific nation of Vanuatu on Thursday that its recent expulsion of a senior diplomat would not be tolerated by Canberra.

Keating said the acting high commissioner to Vanuatu, James Pearson, expelled early this month by Vanuatu Prime Minister Maxime Carlot, had done nothing to deserve expulsion.

The expulsion followed a charge by Vanuatu that Pearson had been attempting to meddle in its affairs by expressing concern about new Vanuatu business legislation Australia believed was likely to affect investment and development.

Australia is already reported to have banned all ministerial and senior official visits between Australia and Vanuatu until December 31, in the latest of a series of diplomatic protests against the expulsion.

An earlier cancellation of planned visits to Vanuatu by two Australian Navy ships, HMAS Jervis Bay and HMAS Derwent, has also been expanded to include a ban on all Australian Navy visits until the end of this year.

However, Keating told journalists in Rockhampton on Thursday that he did not believe there would be lasting repercussions from the incident.

"I don't think there will be long-term damage but Australia is not going to be treated in this way... to have our ambassador expelled for simply a normal diplomatic thing," the prime minister said.

Pearson had merely been representing Australian interests to the Vanuatu Government about commercial and tax matters, and had done nothing that was out of line. "It's just par for the course for normal diplomatic discussion," Keating said.

Current Account Deficit Rises 7 Percent in Jun

BK3007073292 Melbourne Radio Australia in English 0500 GMT 30 Jul 92

[Text] Figures released today by Australia's Bureau of Statistics show a worsening of the country's trade position. In seasonally adjusted terms, the current account deficit for June rose seven percent to just over A$1.2 billion. Imports rose six percent to more than A$4.5 billion—the highest level since August 1989. Exports for the month were also up four percent. The preliminary current account deficit for the 1991-92 outstands at nearly $11.8 billion.

Treasurer John Dawkins says this is well below the budget forecast and is 25 percent lower than the previous year's deficit. Mr. Dawkins said for the first time in more than a decade, Australia has exported more goods and services than it imported.

Another economic measure which provides some optimism shows that new building activity has improved with approval for residential housing rising by 1.9 percent in June.

Solomon Islands

Premier Seeks Better Ties With Papua New Guinea

BK3007065192 Melbourne Radio Australia in English 0500 GMT 30 Jul 92

[Text] Papua New Guinea's prime minister, Paias Wingti and his Solomon Islands counterpart, Solomon Mamaloni, say they are committed to fully restoring relations between their two countries.

In a joint statement released in the Vanuatu capital, Port Vila, the two prime ministers say their foreign ministers will meet immediately to lay devices for regular contacts and direct communication at all levels of government.

The statement said the two countries would work together in accordance with Melanesian traditions and shared interests to speedily address the spillover effects of the Bougainville crisis. It says they will adopt a comprehensive and mutually agreed approach to effectively deal with the crisis on Bougainville in as far as it affects the national interest of both countries.

Mr. Wingti and Mr. Mamaloni met in Port Vila, where they were attending an extraordinary summit of the Melanesian Spearhead Group. Solomon Islands stopped official contact with Papua New Guinea after two cross-border raids on Solomons' territory by the Papua New Guinea Defense Force soldiers in April of this year.

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Keidanren Service To Aid Foreign-Owned Firms

OW2807220992 Tokyo NIHON KEIZAI SHIMBUN in Japanese 28 Jul 92 Morning Edition p 7—FOR OFFICIAL USE ONLY

[Text] Keidanren [Federation of Economic Organizations] established a public relations service for those foreign-owned companies that want to join Japanese trade organizations or that want these organizations to provide them with information. In addition, the service will listen to their complaints and provide consultation. With the Japan-U.S. Structural Impediments Initiative [SII] follow-up talks scheduled to open on 28 July, Keidanren has taken this measure in response to views expressed by the United States that the insufficient transparency of Japanese trade organizations constitutes an obstacle to its advance into the market. It is expected this measure will be included in the follow-up inspection report to be worked out by the Japanese and U.S. Governments.

The official name of the service is "the public relations service for complaints by and consultations with foreign-owned companies in connection with trade organizations." If foreign-owned companies should have complaints—such as "applications for joining Japanese trade organizations were rejected" or "insufficient information on commodity standards have been provided by trade organizations"—the service will accept and relay their complaints to the 120 trade organizations which are members of Keidanren, including the Federation of Bankers Associations of Japan and the Japan Automobile Manufacturing Association, and urge them to improve.

Since it can be expected that there are cases in which foreign-owned companies will not know where to lodge complaints, Keidanren has agreed to set up a unified public relations service in response to the government's request.

Few Firms Publicize Procurement Requirements

OW2807162692 Tokyo NIHON KEIZAI SHIMBUN in Japanese 28 Jul 92 Morning Edition p 7—FOR OFFICIAL USE ONLY

[Text] On 27 July the Ministry of International Trade and Industry [MITI] announced the results of a survey conducted to learn about the policies regarding procurement of parts and raw material by private businesses. The survey showed that only 19.9 percent of the respondents published foreign-language pamphlets explaining procurement rules and procedures—such as pricing and quality standards—in their efforts to expand procurements from foreign businesses. Even companies that published pamphlets only in Japanese remained at 26.6 percent.

This means there has been no considerable change in the numbers from when a similar survey was conducted last year (when it was learned 15.5 percent were issuing foreign-language pamphlets and 25 percent Japanese pamphlets). It is likely the United States will ask for more clarity regarding Japanese firms' procurement activities at the vice-ministerial-level follow-up meeting on the Structural Impediments Initiative (SII) talks due to open on 28 July.

The survey was the second of its type, and 329 companies responded to it. The results will be reported to the vice-ministerial-level meeting.

In this latest survey, 81.6 percent of the firms said they had offices for procurement from foreign businesses. This is an increase of 16 points from the previous 65.4 percent. The survey showed that 79.6 percent had company procurement regulations which set forth guidelines on pricing and quality standards. However, the firms were not so active in preparing pamphlets which delineated the procurement policies and channels. It was apparent the companies were cautious about making public their company procedures on procurement.

Government Plans Revision of Small Enterprise Law

OW2907184892 Tokyo SANKEI SHIMBUN in Japanese 25 Jul 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] On 24 July the Ministry of International Trade and Industry [MITI] and the Small and Medium Enterprise Agency [SMEA] revealed they plan an overall revision of the "Basic Law Governing Small and Medium-Sized Enterprises" which was legislated in 1963 for the purpose of promoting small and medium-sized businesses.

A senior official of the SMEA explained: "The content of the law assuming high rates of economic growth no longer conforms to the economic reality." For instance, the "definition" of small and medium-sized enterprises as firms with "capitalization of less than 100 million yen and fewer than 300 employees" will be changed.

The plan is to seek the advice of the Small and Medium Enterprise Business Security Council (an advisory panel for the prime minister) on the matter early next year, then submit a revision bill to the Diet before the end of next year so that a law may become effective in 1994, the first since the law was enacted 30 years ago.

The reasons for the revision are: 1) Currency value has changed substantially in the past 30 years, so to limit small and medium-sized enterprises to less than 100 million yen in capitalization does not suit the times. 2) If the sluggish economy drags on, it will become necessary to provide assistance to enterprises beyond this limitation. 3) Since the industrial structure has also undergone much change in the past 30 years, ways to help small and medium-sized businesses need to be extended.

With soaring city land prices and the increasing need for qualitative improvements in plants and equipment, the burden of increased capitalization is increasing for small and medium-sized businesses. Until the early 1980's the rate of small and medium-sized business openings had topped the rate of closings. But since then, unable to catch up with the speed of high-tech development, an increasing number of small enterprises of less than 20 employees have gone out of business every year, pushing up the rate of company closings.

Consequently it is becoming necessary that even companies with capitalization of more than 100 million yen receive budgetary support as "additional small and medium-sized enterprises." SMEA plans in the near future to hold hearings on the revision with local governments and business organizations in the hopes of acquiring their views on the bill.

Mixed Voter Response to Election, Issues

OW3007110792 Tokyo MAINICHI SHIMBUN in Japanese 29 Jul 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] MAINICHI SHIMBUN conducted a survey on 27 July, following an upper house election that registered the lowest voter turnout in Japanese election history, to probe the background of the voting pattern. MAINICHI SHIMBUN interviewed by telephone a total of 1,000 qualified voters in Tokyo, Gunma, and Nara Prefectures.

The election resulted in an overwhelming victory for the Liberal Democratic Party [LDP] but a defeat for the Social Democratic Party of Japan [SDPJ] and the Rengo-no-kai. When asked if and how they are satisfied with this outcome, 14 percent said they are "satisfied," while 35 percent said "moderately satisfied." Combined, the percentage of those who expressed satisfaction adds up to 49 percent. On the other hand, 20 percent said they are "rather dissatisfied," while 22 percent said they are "dissatisfied." Added together, the percentage of those who are dissatisfied totals 42 percent. Thus, the survey reveals that about half of the people are satisfied with the election results, and the number of those who are satisfied compares with those who are dissatisfied. However, the number of those who expressed satisfaction in the current survey is less than that during the last telephone survey—with 67 percent expressing satisfaction—conducted immediately after the 1989 upper house election when the SDPJ scored an overwhelming victory.

In the survey, the respondents were also asked to select one reason why they chose a certain political party in voting for proportional representation constituency. The outcome indicates that 22 percent voted for the party that they "had always supported," and 20 percent for "political stability." The percentage of these two top groups exceeded the percentage of those who voted on the basis of other political issues, with 14 percent voting for "political reform," and 13 percent for the "UN Peacekeeping Operations [PKO] cooperation" issue. Both political parties and candidates tried to appeal to voters on such contentious issues as the approval or disapproval of the PKO Cooperation Bill as well as pump-priming measures for the sluggish economy. However, the outcome of the survey reveals that the election campaign failed to focus on policy issues.

Moreover, when asked whether they felt the PKO Cooperation Bill had won the people's confidence, 23 percent answered that "they felt it did" while 39 percent answered that "they felt it did not," and 34 percent answered that "they felt they could not say anything definite on the issue." Even among those who voted for the LDP, Komeito, and the Democratic Socialist Party [DSP]—the three parties that promoted the PKO Cooperation Bill—the percentage of those who answered that they "felt" that the PKO bill had won the people's confidence remained at 38 percent, 28 percent, and 35 percent respectively. This seems to result from the fact that the PKO Cooperation Bill was not extensively regarded as a contentious issue.

* Transportation Zoku Detailed

922B0164A Tokyo SEIJI TO KEIZAI in Japanese May 92 pp 24-29—FOR OFFICIAL USE ONLY

[Article by Goro Miyakezaka, journalist]

[Text] By-elections for the House of Councillors, the upper house, were held in Nara and Miyagi. The animated Liberal Democratic Party [LDP], which made an all-out fight to win because of the present situation where opposition parties hold the majority of seats, lost both elections as generally expected. The cause of that is obviously attributable to the "Kyowa scandal" and "Sagawa doubts." Right now, as to the Kyowa scandal, it is calm, but, as to doubts about Sagawa, which are eerily sinister, the investigation is secretly well under way. Once this is exposed to the public eye, it is readily expected to damage not only the LDP, but also the opposition parties such as the Social Democratic Party of Japan [SDPJ]; it is needless to give the example of Ryoichi Yasutsune, a House of Councillors member. If everything goes to the upper house election in July as it is, Rengo, which has the least political party characteristics, will fish in troubled waters. Then, what will Miyazawa's LDP do?

Transportation Zoku Detailed

It is a matter of course that a series of doubts related to Tokyo Sagawa Kyubin is surrounding the so-called transportation zoku [zoku—a group of Diet members who exercise in a particular field policymaking expertise and contacts generally acquired through service as chairman or vice chairman of the appropriate party policy deliberation committee]. One way to say it is the "degradation of the transportation zoku."

By way of information, the members of the successive Standing Committees on Transportation in both houses are the following.

The 1985 House of Representatives Standing Committee on Transportation

Chairman:
Yataro Mitsubayashi (LDP, Fukuda faction)

Directors:
Michihiko Shikano (LDP, Fukuda); Akio Kuma

(LDP, Tanaka); Yuji Tsushima (LDP, Suzuki); Hiroshi Mitsuzuka (LDP, Fukuda); Tsunehito Kobayashi (SDPJ, National Railway Workers' Union [NRWU]); Yoneharu Yoshiwara (SDPJ, Private Railways); Mikio Oomi (Komeito); Masaru Kawamura (Japan Democratic Socialist Party [DSP])

Committee members:
Muzuki Kato (LDP, Fukuda); Fumio Sato (LDP, Nakasone); Masatsugu Sekiya (LDP, Nakasone); Naoki Tanaka (LDP, Tanaka); Riichiro Chikaoka (LDP, Tanaka); Daikan Hayashi (LDP, Nakasone); Shunichi Fukuya (LDP, Fukuda); Mitsuo Horiuchi (LDP, Suzuki); Noboru Minowa (LDP, Tanaka); Shinjiro Yamamura (LDP, Tanaka); Masatoshi Wakabayashi (LDP, Fukuda); Sueo Kodama (SDPJ, NRWU); Masao Sakon (SDPJ, Osaka Municipal Traffic); Nobuyuki Sekiyama (SDPJ, Traffic Safety); Taneaki Tanami (SDPJ, Japan Postal Workers' Union); Mitsuo Tomizuka (SDPJ, NRWU); Miyuki Asai (Komeito, dentist); Yoshihiko Kazunaka (Komeito, Construction Committee); Masao Nakamura (DSP, National Railways); Masaru Umeda (Japan Communist Party [JCP]); Daiichi Tsuji (JCP, doctor)

The 1985 House of Councillors Standing Committee on Transportation

Chairman:
Hiroshi Tsuruoka (Komeito)

Directors:
Makoto Yoshimura (LDP, Fukuda); Kiyoshi Kajiwara (LDP, Tanaka); Hideyuki Seya (SDPJ, NRWU); Hideo Yawara (Komeito)

Committee members:
Atsushi Ejima (LDP, Fukuda); Kimitomo Takahira (LDP, Fukuda); Ken Naito (LDP, Tanaka); Sakae Fujita (LDP, Tanaka); Shigero Morita (LDP, New Liberal Club); Takaaki Yasuda (LDP, Suzuki); Tatsuo Yamazaki (LDP, Tanaka); Shuji Kuranai (LDP, independent); Isamu Koyanagi (SDPJ, National Railways); Kesajiro Meguro (SDPJ, National Railways); Ryoichi Yasutsune (SDPJ, General Federation of Private Railway Workers' Union of Japan [PRWU]); Sadako Ogasawara (JCP); Ikuo Ito (DSP); Mutsuo Kimura (Independent, Tanaka); Kozaburo Yamada (Independent, former mayor)

Many Opposition Members From National Railways

The 1988 House of Representatives Standing Committee on Transportation

Chairman:
Masatsugu Sekiya (LDP, Nakasone)

Directors:
Sadatoshi Kozato (LDP, Miyazawa); Koji Kakizawa (LDP, Nakasone); Shizuka Kamei (LDP, Abe); **Hiroyuki Kamei** (LDP, Nakasone); Toshihiro Nikai (LDP, Takeshita); **Yoneharu Yoshiwara** (SDPJ, Private Railways); Kiyoshi Nishinaka (Komeito); **Masaru Kawamura** (DSP, National Railways)

Committee members:
Hanei Uozumi (LDP, Takeshita); Saburo Kowatari (LDP, Nakasone); **Muzuki Kato** (LDP, Abe); **Michihiko Shikano** (LDP, Abe); Seikyo Kitagawa (LDP, Abe); Jocho Kochi (LDP, Komoto); **Naoki Tanaka** (LDP, former Tanaka faction); **Yuji Tsushima** (LDP, Miyazawa); Kozo Hirabayashi (LDP, former Tanaka faction); Hiroyuki Masuoka (LDP, Miyazawa); **Shinjiro Yamamura** (LDP, Takeshita); **Masatoshi Wakabayashi** (LDP, Abe); **Tsunehito Kobayashi** (SDPJ, NRWU); Isamu Shimizu (SDPJ); Tatsuo Niimori (SDPJ, NRWU); Kikuo Toda (SDPJ, National Railways); **Miyuki Asai** (Komeito, dentist); Koshiro Ishida (Komeito, vice chairman); **Masao Nakamura** (DSP, National Railways); Masahiro Nakamichi (JCP); Hiroshi Murakami (JCP)

The 1988 House of Councillors Standing Committee on Transportation

Chairman:
Tetsuo Nakano (Komeito)

Directors:
Kenji Manabe (LDP, Miyazawa); **Makoto Yoshimura** (LDP, Abe); **Ryoichi Yasutsune** (SDPJ, PRWU); Akira Nakano (Komeito)

Committee members:
Tomoo Ie (LDP, Takeshita); **Mutsuo Kimura** (LDP, former Tanaka faction); Hiroyuki Kurata (LDP, Abe); Chikao Sakamoto (LDP, Komoto); **Kimitomo Takahira** (LDP, Abe); Taizo Nozawa (LDP, Abe); **Shigero Morita** (LDP, Nakasone); **Tatsuo Yamazaki** (LDP, Miyazawa); Yoshio Yoshikawa (LDP, former Tanaka faction); Shinji Aoki (SDPJ, National Railways); Atsushi Kameyama (SDPJ, NRWU); Kunji Tabuchi (SDPJ, All Japan Express Workers' Union); **Sadako Ogasawara** (JCP); Tetsuya Tabuchi (DSP, Nissan Labor Union)

Mr. Makoto Yoshimura, who was then in the Abe faction and the LDP director of the upper house Standing Committee on Transportation, in which 20 is the full membership, is a former official of the Ministry of Transport. He has been the Ministry's Shikoku regional director of the Shipping Bureau, director of the Fifth and the Second District Port Construction Bureaus, and director of the Ports and Harbors Bureau. He has served on the directorship for the Standing Committee on Transportation before.

Mr. Mutsuo Kimura, who was then in the Tanaka faction and has been a member of the committee like Mr. Yoshimura, is also a former official of the Ministry of Transport: He has been director of the Road Transport Bureau and the Tourism Department in the ministry.

The fact that committee members representing opposition parties such as the SDPJ and the DSP have been in the National Railways and the NRWU can be said to derive justly from the nature of the committee. It is proper as well because reforming the National Railways was then a hot debate.

The Theater of War Between Mitsuzuka and Kato Was Set

The 1990 House of Representatives Standing Committee on Transportation

Chairman:
Kyosei Tanabe (LDP, Abe)

Directors:
Masayuki Okajima (LDP, Takeshita); **Hiroyuki Kamei** (LDP, Watanabe); **Jocho Kochi** (LDP, Komoto); Norio Sato (LDP, Abe); Hajime Morita (LDP, Miyazawa); **Masao Sakon** (SDPJ, Municipal Traffic); Sueharu Yamanaka (SDPJ, former mayor); Shozo Kusakawa (Komeito)

Committee members:
Sadatoshi Kozato (LDP, Miyazawa); Michihiko Shikano (LDP, Abe); Koko Sato (LDP, Watanabe); Shinji Sato (LDP, Takeshita); **Masatsugu Sekiya** (LDP, Watanabe); Gentaro Nakajima (LDP, Abe); Wataru Hiraizumi (LDP, Miyazawa); Hirohisa Fujii (LDP, Takeshita); **Hiroshi Mitsuzuka** (LDP, Abe); Moichi Miyazaki (LDP, Miyazawa); **Shinjiro Yamamura** (LDP, Takeshita); Hirotaka Akamatsu (SDPJ, member of prefectural assembly); Kenichi Ueno (SDPJ, member of prefectural assembly); Katsunobu Ogata (SDPJ, NRWU); **Tsunehito Kobayashi** (SDPJ, NRWU); Hiroshi Tsunematsu (SDPJ, party official); Kai Hayami (SDPJ, district labor union); **Miyuki Asai** (Komeito, dentist); Kazuo Kitagawa (Komeito, lawyer); Yukihiro Sato (JCP); Yoshiaki Takagi (DSP, Mitsubishi Heavy Industries)

The 1990 House of Councillors Standing Committee on Transportation

Chairman:
Yoshimi Nakagawa (Komeito, reporter)

Directors:
Kanzo Tanigawa (LDP, Abe); Hideo Niki (LDP, Abe); Sadao Fuchigami (SDPJ, PRWU); Kimito Katagami (Komeito, prefectural headquarters)

Committee members:
Tomoo Ie (LDP, Takeshita); Kentaro Ishihara (LDP, Komoto); Mitsuhiro Uesugi (LDP, Takeshita); Yasumasa Shikaguma (LDP, Abe); Toranosuke Katayama (LDP, Takeshita); **Taizo Nozawa** (LDP, Abe); **Tatsuo Yamazaki** (LDP, Miyazawa); Atsushi Yoshioka (SDPJ, party official); Kijun Sakurai (SDPJ, party official); **Hideyuki Seya** (SDPJ, NRWU); **Kunji Tabuchi** (SDPJ, All Japan Express Workers' Union); **Ryoichi Yasutsune** (SDPJ, PRWU); **Sadako Ogasawara** (JCP); Kyo Kurimori (Rengo, All Japan Telecommunications Workers' Union); Akihisa Terazaki (DSP, All Japan Automobile transport Workers' Unions)

As you go back seven, eight years on the list, you come to find a lot of things. A battle between Mr. Hiroshi Mitsuzuka and Mr. Muzuki Kato was fought centering on such areas as "transportation" and "National Railways."

Mr. Mitsuzuka had been somewhat behind Mr. Kato until the second Nakasone cabinet appointed him as transport minister in its second reorganization.

Mr. Kato entered the cabinet as the director general of the National Land Agency in November 1982; on the other hand, it was speculated that Mr. Mitsuzuka would enter the cabinet, but he did not. It was partly because Mr. Kato had won more elections.

Mr. Mitsuzuka, nevertheless, was steadily expanding his influence on transportation affairs as seen in his being the LDP's transportation subcommittee chairman, the promotion committee chairman on maintaining bullet train construction, and a director of the House of Representatives Standing Committee on Transportation.

Meanwhile, Mr. Kato was also a member of the committee and was trying to establish his power in transportation affairs eagerly, centered on the National Railways reform issue.

The whole situation has changed since Mr. Mitsuzuka became the transport minister.

In 1988, Mr. Kato was still a member of the committee, but was replaced by Mr. Mitsuzuka in 1990.

Transportation is a quite interesting field: There are a lot of tasks; not only the National Railways, but also aviation, local traffic, freight distribution, tourism, shipping, and ports and harbors are included.

The reason why Mr. Kato failed in expanding his power in transportation is thought to be largely due to his involvement in the Lockheed scandal.

Conspicuous Abe Faction and Yasutsune

Now, looking at the transportation committee lists for the last seven or eight years, it has to be noted that not everyone is a "transportation zoku" member just because of being on the list.

Furthermore, since Diet members usually belong to more than one committee, it cannot be determined only by the list.

And the bold-faced names on the list are the people who have been transportation committees members two or three times.

Those people can be regarded to be deeply involved in transportation.

Let's give an example of Mr. Masatsugu Sekiya's case. He is a Diet member in the LDP's Watanabe faction and is found in all three terms in the list. Of the three, he served once as chairman.

That is not surprising, for he was once the parliamentary vice minister of transport and knows the aviation industry quite well as he was an employee of Japan Airlines.

Now let's list those who served on transportation committees at least twice during the last seven or eight years.

The lower house—Hiroyuki Kamei, Jocho Kochi, Masao Sakon, Sadatoshi Kozato, Yoneharu Yoshiwara, Yuji Tsushima, Hiroshi Mitsuzuka, Masaru Kawamura, Muzuki Kato, Naoki Tanaka, Masao Nakamura (above, twice).

Masatsugu Sekiya, Shinjiro Yamamura, Tsunehito Kobayashi, Miyuki Asai, Michihiko Shikano (above, three times).

The upper house—Tomoo Ie, Taizo Nozawa, Hideyuki Seya, Kunji Tabuchi, Shigero Morita, Kimitomo Takahira, Mutsuo Kimura (above, twice).

Tatsuo Yamazaki, Ryoichi Yasutsune, Sadako Ogasawara (above, three times).

Conspicuous among them is the name of Mr. Ryoichi Yasutsune, who was exposed by the Sagawa doubts and upset the SDPJ.

In the case of Mr. Shinjiro Yamamura, when he was the parliamentary vice minister of transport in 1970 and the incident of Japan Airlines' "Yodo" being hijacked occurred, he became a hero by replacing passengers with himself as a hostage and going to North Korea with the hijackers; and he has also been the transport minister; therefore, it can be said it is natural that he belongs to the transportation committee.

Another thing not to be overlooked are factional territories of the committee members.

In 1985, the biggest faction in the lower house committee was the Fukuda faction that had six members, followed by the Tanaka faction with five, the Nakasone faction with three, and the Suzuki faction with two.

There is no need to explain that that Fukuda faction became the Abe faction and then the Mitsuzuka faction, that the Tanaka faction became the Takeshita faction, that the Nakasone faction became the Watanabe faction, and that the Suzuki faction became the Miyazawa faction.

In 1988 as well, the Abe faction had the most with five members; other seats consisted of the Nakasone faction with four, the Takeshita and the Miyazawa faction each with three, the Komoto faction with one, and the former Tanaka faction with two.

The 1990 lower house Standing Committee on Transportation makeup comprised the Abe faction with five, the Takeshita and the Miyazawa faction each with four, the Watanabe faction with three, and the Komoto faction with one; again, the Abe faction had the most numbers.

On the other hand, in the upper house Standing Committee on Transportation in 1985, the Tanaka faction had a far greater share with five members than the Fukuda faction, which had three, and the Suzuki faction and the New Liberal Club, each of which had one. In 1988 however, the Abe faction increased its members by four, followed by the Miyazawa and the former Tanaka faction each with two, and the Takeshita, the Nakasone, and the Komoto faction each with one; then in 1990, the Abe faction had clearly more members with four than the Takeshita faction with three or the Miyazawa and the Komoto faction each with one.

In other words, the field of transportation was the former Abe faction's own domain; because the Takeshita faction was the second biggest force, it is said that the committees were highly related to the mainstream LDP.

That coincides with what former president of Tokyo Sagawa Watanabe allegedly bragged to Chairman Sagawa, "Kanemaru and Ozawa are with me."

Thus, if the doubts about Sagawa are widely uncovered, not only the Abe faction but also the mainstream LDP are predicted to receive a severe blow.

An Uproar of Kato's Launching His Own Group

As I mentioned the strife between Mr. Hiroshi Mitsuzuka and Mr. Muzuki Kato, Mr. Muzuki Kato gave an introduction party on 27 March at a hotel in Tokyo for establishment of his own group.

Its name is "Seishinkai"; there are 13 members, including Mr. Kyosei Tanabe and Mr. Akira Fuita in addition to Mr. Kato.

With a membership of 13, it is far smaller than the Komoto faction, which is the smallest faction with 33 members; and although it is bigger than the Nikaido group of six members, it cannot do any activities that factions do.

There only are about 12 independent LDP members and six people in the Nikaido group who could be absorbed. Provided Mr. Kato could rally those people, then it would hold about 30 people and could show some strength in struggling for portfolios. However, Mr. Kato does not hold such power, and joining Mr. Kato is out of consideration for those independent or neutral members; thus, we cannot expect very much from the group's individual activities.

Mr. Kato greeted the party saying, "This is our determination to be the frontier of the political world's reshuffling against the two-party system. The 13 members are a small force, but we will unite and make frantic efforts." Nevertheless, Mr. Kanemaru's congratulatory address and the presence of former Prime Minister Takeshita and LDP Secretary General Watanuki indicated that the Seishinkai will do its activities in close relationships with the Takeshita faction, especially the Kanemaru-Ozawa line.

In spite of this, Mr. Kato approached Mr. Nakasone secretly through his boss Mr. Abe when Mr. Nakasone was the prime minister; and, during the formation of the third Nakasone cabinet, he asked Mr. Nakasone for a so-called "pole-and-line fishing" promotion and has awakened Mr. Abe's displeasure.

In this party, former Prime Minister Nakasone also attended and was constantly making a smiling face. Guessing from those things, Mr. Kato may be pretending to be close to the Kanemaru- Ozawa line and actually approaching Mr. Nakasone and talking with former Prime Minister Takeshita about the possibility of the breakup of the Takeshita faction.

At all events, both the Takeshita and the Watanabe factions each seem to think that the introduction of Mr. Muzuki Kato's group "is favorable for our faction."

A rumor of a short life for the Miyazawa cabinet is going around, and a possible political change is rumored to happen in September.

Even if the September political change does not happen, because popularity polls on the Miyazawa cabinet show constant decline, it is unavoidable that the power change will take place sooner or later.

Then, each faction within the LDP will meet and part and compete for the post of the party president and the prime minister. If the Takeshita faction successfully takes in Kato's group, the faction will increase its membership by 13 on top of the current 105 with the total of a decidedly advantageous 118 and will be able to lead the party again as a kingmaker.

If the Watanabe faction succeeds in including the 13 in its current membeship of 71, the total of 84 will allow it to make up the second-largest force in the party and it will gain more say; then the Takeshita faction will have to keep an eye on it.

In short, with the appearance of the Kato's group "Seishinkai," the under-the-table struggle for the next president became very complex.

Kanemaru's Thinning Fortune

Would it be the right path for Mr. Kato's group to do political activities as an independent group that is close to the Kanemaru-Ozawa line of the Takeshita faction?

For Mr. Kanemaru was targeted by a rightist who shot three bullets right after he delivered a speech at the Circle To Support Kenji Yamaoka when Mr. Kanemaru went to give his support on the lower house by-election in Gunma Prefecture.

Fortunately, none of the bullets hit Kanemaru. The suspected hitman was reported to have testified, "I decided to kill him because Kanemaru is a traitor who initiated a shameful diplomacy with North Korea."

Then, the day after the incident, political commentator Mr. Ryuichiro Hosokawa, who appeared on a television program said, "It was partly Kanemaru's fault because he did something that made himself a target. He contributed to it." He also said, "Kanemaru belongs to a lower order first of all. When I was an active reporter, I asked him, 'Have you read through the Constitution of Japan?' Then he answered with his wrinkled face, 'No, I have never had a chance to read it.' He is that kind of person." Then LDP Secretary General Watanuki held a press conference and criticized Hosokawa, saying, "It is improper for a commentator to talk as if he were approving of violence."

Worth deep consideration here is the rightists' action. They are sensitive to the citizens' feeling and tend to avoid as much as possible doing something that makes citizens hate them; therefore, they must have thought a lot about it.

Thus, those rightists may have thought that citizens hate Mr. Kanemaru and that even though they snipe at him, they do not so much elicit applause from the citizens but obtain some support at least.

As to Mr. Hosokawa's speech, he must have been careless enough to say what he had always thought because he knew there are many citizens who wonder "why that person can exercise that much authority."

In other words, there is an assumption that many citizens do not hate Mr. Kanemaru but dislike him.

Politicians sometimes by time and situation have to play an ungracious part. Considering it, it is ill-paid work.

There were such politicians as Mr. Kanemaru in the past.

The scary existence of Mr. Takekichi Miki in the political world is an example, but he was "a man behind the scenes" throughout his life and never became a minister to the end.

Putting that aside, this world is strange: when you are hated or resented by many people, it is fine as long as you have vigor, yet something will happen, and you frequently go down steeply from that point.

It will be fortunate for Kanemaru if the shooting incident does not turn out to be the occasion that breaks his power.

* Political Strategy of LDP's Ozawa Examined

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[Article by journalist Akiyoshi Yamamura: "Will He Approve Takeshita's Comeback?"]

[Text] **What Is Ozawa's "Long-Term Strategy" Looking Five Years Down the Road?**

One person close to Ozawa says the following: "By now Ichiro Ozawa has completely switched over to a long-term strategy. The Takeshita-Ozawa war, at one time widely known, has been completely settled. Without doubt Ozawa now makes his moves with a target five years from now."

Ichiro Ozawa is former secretary general of LDP. It has already been half a year since Ozawa summoned to his office in the Juzen Building Miyazawa, Watanabe, and Mitsuzuka, three candidates in the LDP presidential election, and demonstrated his power. While it is not widely known, Ozawa, although he has withdrawn from the front line and lives like a recluse, in fact holds hidden agendas for the coming election to the House of Councillors, as well as for the reorganization of political world that is expected to follow. This article is an attempt to analyze Ozawa's scenario.

"Ozawa was at one time marked by a bullying approach but lately he has been acting perfectly cool. He appears to have switched to a strategy that looks five to ten years into the future, rather than an immediate future of two to three years." Thus spoke one desk in the political division of a newspaper. When compared with earlier times, Ozawa's manner of speech has recently been said to have changed completely.

The following story comes from those close to Ozawa: "Rather than barking out absolute orders as he did before, shouting that a thing must be done in such and such a way, Ozawa has lately been using expressions such as "this might best be done this way;" he sounds like a rather distant critic. He appears to have lost his self-righteousness."

On March 15, however, Ozawa made the following statement at a regular meeting of the Iwate Prefectural LDP in the home ground, Morioka City: "Depending on the outcome of this summer's House of Councillors election, a great change might take place in the history of Japanese constitutional government."

This statement appears to be a close expression of Ozawa's truesentiments. Ozawa, who has to begin with favored political reorganization, seems to be anticipating a turning point in the LDP. His attitude has expressed itself in espousal of Isomura as candidate for the last Tokyo governor's election, as well as in the establishment of the Constitutional Study Group which has focused on the PKO (Peacekeeping Operations) bill. The person who has spearheaded moves for national reform, who has looked forward to great changes in the LDP, has been no other than former LDP Secretary General Ozawa.

Ozawa himself has now suggested that the time for such change should be right after the House of Councillors election.

How hard has Ozawa been working toward a House of Councillors election? The question answers itself as one looks at the line-up of candidates for the House of Councillors election.

Let's begin with the western part of the country. In the Nagasaki electoral district, Rengo (Japanese Confederation of Labor) has first of all decided on a candidate, a selection Rengo had for a long time been "studying." The choice of "an ace class candidate," President of the Nagasaki Rengo Yuji Hagi, has made the LDP side anxious. Hagi is a former committee chairman of the Nagasaki Shipbuilding Branch of Mitsubishi Heavy Industries Labor Union. Since his name is extremely well known in the electorate, LDP regards him as a formidable opponent.

The opposing candidate that LDP has put up is Soichiro Matsutani, former chief of the Housing Bureau, Ministry of Construction. A reporter of a local newspaper describes him as follows:

"In the last election Matsutani was defeated as an independent candidate, drawing votes from the incumbent LDP House of Councillors member Taki'ichiro Hatsumura, former minister of the Ministry of Labor, who also lost. This time around, Hatsumura was determined to become candidate, even as an independent, criticizing Matsutani's candidacy as against party rules. However, it is said that Ozawa intervened at this stage and applied pressure to force Hatsumura to withdraw. Since, at first, we were not expecting Hatsumura to retire at all, it came as a surprise to hear him make his withdrawal public."

Matsutani is regarded as a candidate of "Ozawa's lineage." However, if elected, he will be treated as "a charge of the LDP's secretary general:" He certainly is a candidate of the Takeshita faction, but he will not immediately be a member of "the Ozawa faction."

However, those around Matsutani assert that they are "willing to form the Ozawa faction in the future," indicating an ample possibility of their drawing close to Ozawa.

Looking along the ranks of candidates preparing for the July House of Councillors election, Ozawa's strategy still has the appearance of only being at an "experimental" stage.

In the Kochi electoral district (one person district) in the Shikoku region, which elected the 'parachutist candidate,' Daijiro Hashimoto, governor, if the situation develops as it is the LDP may face the worst possible circumstance of running two conservative candidates. At first, Director of the Science and Technology Agency Kanzo Tanigawa obtained early recognition of his candidacy in the Kochi district as the sole candidate. However, Sadao Hirano, former head of the Committee Department, the House of Representatives, announced his own candidacy in March and requested endorsement by the Kochi LDP. This has suddenly kindled a fight between two conservative candidates.

"Hirano became close to Ozawa while the latter was chairman of the House of Representatives Steering Committee. Also at the time that Ozawa was secretary general, Hirano was known to have played the role of a brain, advancing policy matters in the Diet. To begin with, Hirano had been called the shadow chairman of the LDP's Diet Policy Committee, wielding power and projecting a voice more influential than that of run of the mill Dietmen. Ozawa's influence added to Takeshita's power in working greatly to helping pull Hirano up to candidacy. While the local party federation has been trying to somehow bridge the split Tanigawa-Hirano candidacy, at present they have almost given up, since a compromise between the Takeshita and Mitsuzuka factions to which the two candidates respectively belong has been hard to work out" (a member of the Kochi LDP).

As it is, Hirano is viewed as "the candidate who can win the election," and is regarded as a strong one who can assure victory. However, for the sake of his title of president of the party's prefectural federation as well as in defense of his honor, Tanigawa is said to be experiencing the dilemma of "not being able to step down even if willing to do so." Those around him are believed to be feeling difficulty over the problem.

An LDP insider opines the following: "The final solution will be to entrust the matter to the secretary general. However, Ozawa surely will intervene before such a stage is reached. At present he entertains the idea of having one of them withdraw. If the matter results in excessive much trouble, it would be possible to have Hirano withdraw. However, another way to handle the problem may be is to have Tanigawa withdraw, as in the Nagasaki case, where Hatsumura was retired. A rumor has it that the Ozawa side is thinking of an "ultra C" [an athletic feat] action to make Tanigawa agree to take a post from among several that could be provided by the Ozawa side, such as the directorship of a foundation."

Ozawa is known to have drawn up "a plan for 130 persons," probably considering the coming election as a preparatory step toward creating a faction of his own. At the beginning of the year, Ozawa himself put forth such a plan in the presence of reporters who cover him: to begin with, for factional or political reorganization in the future, the Takeshita faction itself needs 130 members.

This public initiative was interpreted among those who have interest in the matter to mean that "when an Ozawa faction will be formed in the future, he will gather 130 members." Coming from Ozawa, a man who has stated that his aim is to dissolve factions, such a statement might on the surface seem contradictory. However, the plan turns out to be hisalternative strategy.

Major LDP Reform May Follow Pending on the Outcome of the House of Councillors Election

Last year, as is well known, the LDP-Komeito-Democratic Socialist Party (DSP) alliance collapsed in connection with the PKO bill. Until then, LDP and Ozawa had planned to go as far as possible with the alliance, and then to ally with the right wing of the Social Democratic Party of Japan (SDPJ).

The PKO bill, however, has been presented but is still pending because of opposition from Komeito. However that bill turns out, in the present state of an LDP that lacks a majority in the House of Councillors, the party obviously has no choice other than to depend on Komeito and the DSP.

"After the coming House of Councillors election, a majority may not be attainable even counting Komeito and DSP in. Ozawa has calculated on such a possibility and has decided, to begin with, to increase Keiseikai membership to 130. At the same time, this also is the targeted number of the faction he himself intends to form 10 years from now, when both Kanemaru and Takeshita have retired. For the time being, Ozawa is making preparations for the post-House of Councillors election, at the same time strengthening the Takeshita faction and running a 'simulation' of an organizational grouping of his own which is yet to come." (A member of the Takeshita faction)

The borderline outcome in the coming House of Councillors election that would force LDP to institute a major reform is said to be a decline to 60 seats or fewer. If below such a number, LDP would have suffered a devastating defeat that would force it to ally with other political parties, or LDP must break apart.

At present the full membership of House of Councillors is 252. Of the approximately half, 126, who must stand for reelection this time, 74 belong to LDP. If that number comes down to 60, the party will be 27 short of majority. Ozawa's strategy focuses on this possibility. It is no exaggeration to say that the outcome of the coming election will determine whether an alliance with DSP, or an alliance between a part of LDP and the right wing of SDPJ, must be formed.

"That is the reason why Ozawa will support this election from behind the scenes, so as to make possible, in case of defeat, a strategic shift of direction either way, and thus contain the damage to a minimum. If LDP wins 65 seats, an alliance with Komeito and DSP will somehow appear to be respectable. If candidates of Ozawa's choice are elected, his future perspective will improve even in a defeat. Therefore, for Ozawa, the coming election has exactly the character of an "experiment" (an LDP member).

Members of the faction are not to be exceptions as subject of this experiment. The topic in the House of Councillors' Fukuoka electorate, the site of a "surrogate war between Ichiro Ozawa and Ryutaro Hashimoto," is the competition between two candidates who are both members of the Takeshita faction. Ozawa's candidate is Yoshinosuke Shigetomi,who, last September, won a House of Councillors by-election and joined the Takeshita faction.

"Last spring, Ozawa persuaded Shigetomi, who had been a councillor at the Management and Coordination Agency, to become a candidate in the Fukuoka gubernatorial election. Ozawa was the one who persuaded Shigetomi to join the Takeshita faction: In the near future he surely will become a Dietman of "the Ozawa faction" (a member of the Fukuoka LDP). Meanwhile, a new candidate, Gotaro Yoshimura, has announced his candidacy.

The House of Councillors' Fukuoka electorate has a reputation of "continuing the long time pattern of tri-party division between LDP, Komeito, and SDPJ. This time too it will be hard for the LDP to take two seats" (source as above). In addition, former House of Councillors member Masao Endo has also announced his candidacy so that conservative candidates inevitably will eat into each other's votes.

The electorate is overcrowded with multiple candidates. "While LDP Secretary General Watanuki, who is close to Ozawa, has been trying to have Endo withdraw, Endo, on the other hand, has held a general rally on April 7, pasting up 25,000 street posters. Since Endo was a former member of the Miyazawa faction, the Miyazawa faction has been attempting to persuade him to withdraw, a task which does not appear to be such an easy one" (a local newspaper reporter).

Amid this chaos, both Shigetomi and Yoshimura will face election as the LDP's officially recognized candidates, having obtained backing respectively from Ozawa and Ryutaro Hashimoto.

"For Ozawa, this case provides a good model for the future split of the Takeshita faction. Candidate Yoshimura, who is very close to both Hashimoto and Takeshita, symbolizes the present day Takeshita faction. Ozawa will thus challenge a candidate well connected to the Takeshita faction. If the Takeshita faction does split in the future, the breakup may happen in a similar manner. That is what makes Ozawa take a great interest in this election." Therefore the Fukuoka electorate is an interesting district that attracts as well the attention of those in the Takeshita faction.

Three Reasons Behind the Crumbling of the "Ozawa Myth"

Our story abruptly shifts back to last summer. LDP Vice President Shin Kanemaru at that time had proclaimed Ozawa to be the heir to the Takeshita faction.

"I'm a little tired. I would like to step down from the faction head's seat. How about Ozawa as my successor?" It is said that among the Takeshita faction's seven honchos, only Kozo Watanabe and Keiwa Okuda consented. At that time, "the myth of Ozawa" was at its peak: His position among the ranks of the Takeshita faction was incomparably higher than it is today. The post of party president could have been Ozawa's anytime had he wanted it prior to the beginning of the new Miyazawa presidency.

Why has Ozawa become today "an ordinary person whose only function is to sweat over an election?" Counted as one of the reasons that has invited the situation is a change of personnel made within the Takeshita faction.

"The move that restricted Ozawa's within faction activity was the appointment made by Kanemaru, under Takeshita's direction, of Kajiyama as chairman of the Diet Policy Committee. This move deprived Ozawa of his favorite field for the management of the Diet. Since last fall, as PKO bill also has been incapacitated under the Miyazawa administration, Ozawa has completely lost his chance to star." (A member of the Takeshita faction)

One fact that attested to this story was that, in the early part of this year, Takeshita had often played golf with leaders of the faction, Kajiyama always being one them.

Moreover, Ozawa's health has facilitated the turn to the appearance of an "isolated Ozawa." A rumor often heard from early this year until March went as following way: "Ozawa's heart does not appear to be doing well. He needs to be operated on again and is likely to choose an American hospital so to avoid being targeted by the mass media the way he would be if he stayed at a Japanese hospital." The candidates included university hospitals such as those at Johns Hopkins and Harvard. Plausible sounding information to the effect that "Ozawa is going to be fitted with a pace maker" ran around Nagata-cho.

Despite such rumors, on 23 March at a meeting that Ozawa attended to talk to his backers in his district, he joked as follows: "Thanks for your concerns for me, but as you can see I have recovered. Despite various rumors, such as my needing another operation in the United States, I am doing okay, since the last operation I have two hearts."

Nevertheless, his scheduled visit to Indonesia during Golden Week [April 29-May 5] has spawned the speculation that "it may be camouflage [a disguise for a stay in a U.S. hospital]."

A commonly held view within the Takeshita faction is: "Some of the younger members who were thought to form the Ozawa faction have left him because of his health. Keisuke Nakanishi and Hiroshi Kumagai in the faction, who are close to Ozawa, are being exiled to 'Siberia.' The theory of ill health will not disappear so easily."

The third reason that Ozawa has been forced from being a lead player is the recently cemented close tie between Takeshita and Kanemaru. As is well known, since Mrs Kanemaru's death it has been Takeshita's eldest daughter, Itsuko [Kanemaru's daughter-in-law], who has been looking after Kanemaru. Since then, the relationship between these two has taken a good turn unimaginable before.

"This year, for example, at Takeshita birthday party on February 26 Kanemaru turned up. A birthday party for Takeshita has been held every year, but never before had Kanemaru come. This fact alone attests to their closeness." (A Diet member of the Takeshita faction) Ozawa, who has maintained an antagonistic attitude toward Takeshita, has naturally been excluded from this alliance.

It might have been in anticipation of this situation that Ozawa, in a new year's news broadcast over the TBS TV channel, all of a sudden made a startling utterance: "Be it Mr Takeshita or whoever, politicians are creatures of the time. If the public approves, Mr Takeshita will serve."

Ozawa has reiterated the point several times this year, an indication that he does not oppose Takeshita's again taking the mound as pitcher. This again illustrates his passage over to a long term strategy.

Dares Not Fight in House of Councillors Where an Adverse Situation Prevails

As a first step, Ozawa must clear the hurdle of the coming House of Councillors election. as the first step.

However, for him this is "an experimental" election. In other words, "an election he can afford to lose."

The situation becomes obvious if one takes a look at House of Councillors' proportional representation districts. LDP candidates scheduled to stand election in the proportional representation districts are 27. While their ranks have not yet been determined, the Takeshita faction is represented by 12. Of those 12, two, Toshisada Oka and Tatsuo Shimizu, are viewed as affiliates of Ozawa. The rest are said to be affiliated either with Takeshita or Hashimoto/Hata.

"The ranking of candidates is problematic in every election. This time all the candidates are desperate, since they expect a decrease in the elected number. However, so far Ozawa does not appear to be exerting himself much. The question is what rank order Ozawa's candidates can obtain: That will be revealed in the list of rank order, scheduled to come out in May" (an LDP member).

The low rank of Ozawa's candidates on the list means that, although interested in running new candidates, Ozawa does not particularly worry about the outcome of the election. In other words, Ozawa seems to assume a defeat in the House of Councillors election.

"In the background of the plan for a political alliance in forming a government, drawn in the expectation of a loss of the House of Councillors election, there exists generational strife among Nagata-cho's Dietmen. During the time of the Kaifu Cabinet, the young YKK trio [three LDP Dietmen whose name starts with Y, K, and K, respectively; only one of them is identified later] became famous as they succeeded in wrecking the bill related to political reform. However, by now, beginning with Chief Cabinet Secretary Kato, the trio has become a mere shadow of their former selves. Political power by no means lies in the hand of Ozawa or these three, but rather with the elder Dietmen, such as Takeshita and Kanemaru, who manipulate Miyazawa" (the source the same as above).

The very reason behind the seemingly assured continuation of theMiyazawa administration until the House of Councillors election is its open endorsement by Kanemaru.

"Younger LDP Dietmen like Ozawa have been mulling over what will happen 2-3 years down the road. Takeo Nishioka, who left the Miyazawa faction, and Mutsuki Kato, who formed a new faction on March 27, remain as Ozawa's sympathizers. Those are the people certain to support Ozawa when the Ozawa Cabinet comes into being five years from now" (a person in the political circle).

At any rate, their time will come after a major shakeup in the political world. For the present, the coming election, held in an atmosphere of distrust of the LDP, is bound to trigger some sort of reaction in the political world. Ozawa has been steadily preparing for that time.

One in Ozawa's close circle has stated the following: "Even if Ozawa expects to lose this election, he will not stay inactive. If he finds a double election [simultaneous elections for House of Councillors and House of Representatives] might place Rengo or opposition parties at disadvantage in some districts, he might urge Kanemaru to switch to a double election. Until then, Ozawa will be quietly sizing the situation up."

While arguments favoring a double election have lately been on the rise, Ozawa is said to hold a unique idea about the possibility.

This is a wide-ranging strategy. "While pretending to hold a double election, Ozawa would apply pressure on the SDPJ—a threat that implies nonfeasibility of a coalition between LDP and SDPJ. In fact, SDPJ has started to clip off members of its left faction including Yasutsune. The strategy calls for drawing the SDPJ as closely as possible, with coalition as bait, and then and only then to decide with whom to ally" (The same source as above).

At any rate, Ozawa's activities in this election cannot be overlooked.

Corporations Reinforce Role of Legal Divisions

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[Unattributed article: "Backstage Actors Perform Role of Solving Problems; Companies Strengthen Corporate Defense Structure"; first in a series entitled "Legal Units Running"]

[Text] With legal disputes growing over such issues as patent rights infringement, product liability (PL), and employment discrimination, legal divisions of companies are moving into the limelight. They are now stagehands taking care of legal administrative matters—or legal affairs. Damage from a loss in a lawsuit can be great for companies. We will look into the latest situation in which corporate legal divisions are coming to play increasing roles in companies' business.

"The Minolta camera case and some other lawsuits may have attracted particular attention, but, in fact, major electrical appliance manufacturers have to settle hundreds of claims each year on intellectual property rights such as patents." These were the words of Mr. Seiichi Oshima, deputy manager of Mitsubishi Electric Corporation's Intellectual Property Public Relations Department, talking about the increase in disputes over patent rights. Explaining why there does not seem to be so many disputes with the electrical manufacturers, he added: "Because almost 90 percent of the cases are solved in negotiations."

Solved Before They Are Brought To Court

Since the early 1980's, the major electrical appliance manufacturers have undergone fierce disputes—for instance, the U.S. company IBM has clashed over computer software, and the U.S. company Texas Instruments (TI) has clashed over patent rights on semiconductors. The major companies have learned from these experiences and used them to beef up their legal departments. Consequently, they appear to have mastered the art of solving problems before they develop into lawsuits.

Mr. Satoru Nakaichi, manager of the Nippon Electric Company's legal department, said: "All companies have become crafty old players. They do not want to fight when they cannot win."

The electrical appliance companies are continuing to expand and improve their legal departments. The companies already have a large number of personnel in intellectural property rights areas—Hitachi has about 270, Mitsubishi Electric about 200, and Sony about 250—but all of them are continuing to expand. Mr. Mitsuo Takahashi, deputy head of Sony's Intellectural Property Division, admitted: "This probably is special treatment—authorization to beef up personnel when companies as a whole are trying to cut back."

Regarding intellectual property rights, the chemical and pharmaceutical industries also are trying to improve their legal departments. Indeed, all companies, regardless of which industrial sector, may be said to be beefing up their legal organizations.

Discrimination in Employment Looming as Issue

Of course, the reason for expanding the legal departments is not only to be better prepared against intellectual property right disputes. There is also the issue of discrimination in employment, lawsuits of which have been recently increasing in the United States. Mr. Fumihiro Sasaki, deputy chief of Recruit's legal department, noted: "Even though in principle the corporations in the United States should handle the cases, the parent companies in Japan must support them."

In the United States, under law, companies wanting to employ people are not allowed to ask them for information on anything other than their qualifications. Companies are not authorized to put out a want ad specifying the age group or the gender of the people for employment. Mr. Sasaki said: "In most cases involving Japanese-invested companies, the cause of the problem was that the companies did not know the U.S. laws and used the methodology they used in Japan. Personnel sent to the United States need to be informed and educated in advance." The trading companies and auto manufacturers that have been sued are now placing experts in their legal departments or personnel departments.

The fact that the Fair Trade Commission is strengthening the operation of the antimonopoly law, albeit pressured by the United States, is an additional "favorable wind" on the reinforcement of the "legal units." There are a growing number of large corporations preparing manuals and giving courses to inform their personnel about the antimonopoly law.

Under such circumstances and with their organizations growing as they are now, the status of and popularity for the companies' legal divisions are bound to rise. Mr. Takahashi, deputy chief of Sony's legal division, expressed his surprise, saying: "Even among newly hired people, there are those who are eager to get into legal affairs. This is a great change from only a short time ago."

Students Grown 10 Times

The legal division is coming to be a popular area even among students. In the mid-1970's, when Tokyo University became Japan's first unversity to have a curriculum on intellectural property rights, Professor Nobuhiro Nakayama had only about 20 students in his class. Professor Nakayama says he now has 200-300 students in his course, and adds: "Students wanting to work in legal divisions come to ask for my advice."

There are cases in which a company will have to pay tens of billions of yen in compensation if it loses a lawsuit. In addition, damage to corporate images is also great in a lost lawsuit. The importance the legal divisions' role in defending their companies will only grow in the future.

Risks Seen in Banks Entering Securities Business

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[Article by Yoshinori Suzuki, Kanagawa University]

[Text] **The Danger of a System That "Cannot Lower Stock Prices"**

It seems that after the collapse of the bubble, rescue and absorption of securities companies by banks became an additional purpose of the financial system reform. The author points out that there is a considerable problem with banks entering the securities business while holding large amounts of stock.

Changed Purpose of the Reform A bill for financial system reform was proposed to the Diet after passing the cabinet council on 13 March. This bill is formally called the "Bill Concerning Augmentation of the Related Laws To Accommodate the Reform of Financial System and the Securities Exchange System." The system reform, which is said to be the largest since the war, will be implemented after six and a half years of study, which began in September 1985 when the discussion started in the Financial System Research Council's System Problem Study Group.

The main purpose of the reform was to determine how banks and securities companies could enter each others' fields by the different-business-category subsidiary formula. This was firmly established in last May's Securities and Exchange Council report and last June's Financial Reform Council report. It seems that the Ministry of Finance has been busy dealing with the financial and securities scandal and also coordinating with other ministries and agencies concerning securities related products.

If everything goes smoothly, this bill is expected to become law as early as next spring after it passes the

Diet. However, due to the delay in starting deliberation in this session of the Diet, there is a possibility that deliberation will be behind schedule in the House of Representatives.

In retrospect, there has been a remarkable change in the environment of the banking and securities system since the beginning of the system reform discussion.

The Japanese economy was in excellent condition when financial reform was first advocated. Banks and securities companies seemed to have bright futures under the "great financial market" in the stock market. However, now that the bubble has broken, and the banks and securities companies' scandal has become public, an ill wind is blowing in the financial and the securities companies' world. Low stock prices continue to deal a serious blow to bank management, and banks are being attacked simultaneously by credit risk and price fluctuation. Securities companies have exhausted their energies in dealing with both low stock prices and the scandal.

The expectations and dreams for the framework of the new system, which they had originally, are fading away. Rather, their focus is shifting toward legal preparation for rescuing, merging, and reorganizing banks and securities companies. The bill will enable various types of mergers and reorganizations, such as mergers between long-term credit banks and city banks, labor credit union banks and regional banks, and between credit cooperatives.

However, the real challenge is to determine what our overall design of the financial and investment market should be in the long run. The reform bill needs to be examined in terms of how well it can provide the answer to the above problem.

Hypothesis of Relief and Merger of Securities Companies

The central point of this bill is that it sets the rules for banks entering the securities business. The rules for the opposite case, in other words, securities companies' entering the banking business, are also set. So far, it does not seem likely for securities companies to do this, considering their network, funds, and the business knowledge.

According to this bill, banks can enter the securities business by forming a subsidiary and owning more than 50 percent of their stock. Originally they were to own 100 percent of the stock. But since it was lowered to 50 percent, banks' investment funds can be reduced. Also, securities companies that are subsidiaries of banks are prohibited from functioning as a brokerage firm "for a while." A regulation, which allows banks to purchase more than a 50 percent share in existing securities companies and make them their subsidiaries, has been added to the bill. And in that case the clause, "...prohibited to function as a brokerage firm" is overridden. This is stated in a very complicated manner.

We can see here, that the banks' relief merger of the securities companies is assumed. Their object is to prohibit them from functioning as a brokerage firm in compensation for that assumption.

Therefore, securities business performed by banks includes business conducted in: 1) the parent bank, 2) their affiliate securities companies, 3) new subsidiaries supported by the new bill, 4) securities companies which were absorbed. An attempt to operate under the coexistence of all these conditions will be made.

The reason for the banks entering the securities business is their uncertainty concerning their future profit base. They hold the view that diversifying the profit base will contribute to the stabilization of bank management as well as the whole financial system. This view is supported by the logic of the "economy of scope." However, here lies the very problem. There are two main concerns.

First, there is the problem of financial control, control by the parent banks, which by using its superior position,may force its customers to do business with its subsidiary securities company. This problem is closely related to the regulation and application of the Antimonopoly Act.

According to one newspaper, the Fair Trade Commission is considering that deals a parent and a subsidiary make jointly are in violation of the Antimonopoly Act. For example: 1) furnishing funds under the condition that the borrower will underwrite their subsidiary's debentures, 2) for a parent bank to give favorable consideration in financing a company while making them a customer of the subsidiary. These are classified as " business deals with restrictions" and "granting of unjust profit (profiteering)" as stated in the Antimonopoly Act (NIHON KEIZAI SHIMBUN 13 March). If the regulations set in the Antimonopoly Act and their application are as significant as the conditions for the financial system reform, the two should be discussed simultaneously.

Secondly, there is the problem of "the firewall," which is a question of how to prevent the risks that are unique to the securities business from affecting the management of the bank's main body. It would be a serious problem if the deficit of the subsidiary securities company was allowed to affect the parent bank's customers. It would be extremely difficult for the risk of price fluctuation, which is unique to the securities business, and sound banking practices to coexist.

To deal with these problems, a firewall should be established between the parent bank and the subsidiary securities company. The bill includes the following as the firewall: 1) prohibition of executives serving both companies (the parent and the subsidiary) concurrently, 2) prohibition of a parent bank's giving a special consideration to one of their subsidiary's customers, 3) prohibition of parent bank's extension of credit to a company on the condition that the company will do business with the subsidiary securities company.

It is reported that the other rules will be set in the form of government and ministerial ordinances and voluntary rules (NIHON KEIZAI SHIMBUN 17 April). The bill is still not specific and a large part is left to the administration's discretion. It is difficult to grasp the total picture at this stage.

"A System Caught in Its Own Trap"

Despite the seriousness of these problems, there is an even greater problem. Unlike the situations in the United States and England, Japanese banks own great amount of stocks. When the parent bank enters the securities business while holding stocks, "there is a possibility that the subsidiary securities company will recommend the parent bank's stocks to their customers and this raises the price of the stock" (Nobuhiko Matsuno, Securities Bureau Chief of the Ministry of Finance, NIKKEI KINYU SHIMBUN 30 March). This problem needs to be dealt with discreetly.

It is time for us to take a broader view. Right now, what we are seeing is that the drop in stock prices has hit banks' assets directly, and bank loans have been restricted. This is threatening not only the Japanese economy, but also the world economy. It is a strange phenomenon.

The Japanese economy has been based on stock prices which are transitory and have a weak foundation, they appear to be strong but actually have no substance. In short, the whole system is turned upside down. To allow banks to enter the securities business without solving this problem would be far from the overall design for the future economic society.

As far as this "system caught in its own trap" continues, where stock prices cannot be lowered, the whole nation cannot help but continue to manipulate the stock prices. And if banks enter the securities business the way it is, this "system caught in its own trap" will become even more complicated. It will be just like tangled yarn and will be difficult to untangle. The options for policy makers will become extremely limited. I cannot help but concerned that the system reform may increase the degree of confusion in the entire financial system.

Administrations' Jurisdictional Disputes

There are two more important points at issue in this system reform. I will briefly mention them here.

The first one concerns the securities related products (obligations such as leases, credit, and home loans made into securities). The existing Securities and Exchange Act was designed with traditional securities such as stocks and debentures in mind. Therefore, regulations such as disclosure control and unfair trade control could not be applied to the new securities related products. However since their development was progressing rapidly and the market was expanding, new regulations and augmentation of laws to nurture the market were needed. One of the great concerns in this business was who would obtain the rights to these new products. This was one of the grounds for argument concerning banks' entering the securities business. Last year's Securities and Exchange Council report asked for the installation of "a package of regulations," anticipating various products that are related to securities, so that they can deal with the development of these new products systematically. But this proposal was never legalized. They stayed with the traditional method of "limited enumeration" in which a governmental ordinance had to be set individually every time a new product came out. There is a resistance from MITI against the Ministry of Finance's proposal of uniform control of all securities related products. MITI has proposed a bill called the "Law on Controlling Transfer of Specified Obligations" which regulates minor products such as lease obligations and credit obligations.

In other words, new securities, such as home loan obligation trusts and commercial paper, are placed under the Securities Exchange Law as securities which can be traded freely among investors. Other minor products (lease obligations minor products and real estate minor products) were to be regulated by government agencies, such as MITI and the Ministry of Construction by their laws, since they are difficult to resell. Therefore, "the definition of securities" in the Securities Exchange Law has been narrowed. Under these inconsistent laws, it is questionable how well the development and control of the market will progress.

Secondly, the standard for public offering and private offering has been set, and it has been clearly stated that banks themselves can offer private subscription. It was confirmed that when there are only a few eligible investors or there are only "eligible medium investors", public subscription cannot be offered. Furthermore, the required number of investors will be set by governmental ordinances. As for the handling of private subscriptions, it is specified as a part of the securities business which banks can conduct in addition to their normal business.

Traditionally, public subscription was the principal business and private subscription was an exception or something in addition to public subscription. But, today, private subscriptions take up a large portion of business led by giant enterprises and medium investors. Drawing a line between public and private subscriptions has become very significant in relation to the need for information disclosure.

The degree of need for disclosure will be different between general investors, who are amateurs, and medium investors (investment agencies) who are professional investors and are well equipped to make investment decisions. In addition, the big issue today is who will possess the opportunity to exploit the private subscription business. It is significant that this bill is allowing banks to enter "the securities business" with "private subscriptions." I am sure that this will lead to reform of the Corporation Bonds (Debentures) Registration Act to expand the public subscription market.

Uncertain Financial System

Japan is a capitalist country that had a late start in capitalism. We needed to create and strengthen the financial "institutions" first. In addition development of the "market" was rather restricted. For a long time, institutions existed without a market. But around 1965, the Japanese economy went from "a deficit economy" to "a surplus economy," and from "a high-tension economy" to "a low-tension economy." This change called for reconsideration of the whole financial system, and caused a series of changes from "regulations" to "freedom," for example, "negotiated transactions" to "market," and "banks" to "securities companies."

At the base of all these changes lies private corporations' huge accumulation of funds. This is an indicator of the nation's economic success, and of the relative decline of new investment opportunities. Today's rapid expansion of the open market needs to be recognized as a manifestation of both the prosperity and difficulties of this current age.

Also the future of our superb financial system which supported our country's economic development since the late 1960s with the acquisition of "low cost" funds through crossholding of stocks and the issuance at market prices, seems uncertain. I think the depressed prices in securities assets possessed by banks and corporations are hurting the stability of our economic society.

People advocate the principle of competition and price structure. But when the system was being converted to a floating exchange rate system, by installation of price structure in world exchange rates, the domestic economy policy became flexible and management of the economy became secure. Thus, simple logic worked. How much can our economic society commit to the fluctuation of prices in the secondary market? From a structural point of view, the risk is rather high. The overall design should be drafted with this in mind.

Lastly, I just want to say one more thing. Whether it is a business boundary of subsidiary securities companies, or a firewall, great many items have not been set by the bill itself, but by ministerial ordinances, etc. Also, the Antimonopoly Act has to be applied to some of them. I think they need to clarify the total picture before the bill is laid on the table.

Nippon Mining To Specialize in Petroleum

922A0260A Tokyo SHUKAN TOYO KEIZAI in Japanese 2 May 92 pp 101-103—FOR OFFICIAL USE ONLY

[Article by Mihoto Nishida: "The Nippon Mining-Kyodo Oil Merger"]

[Text] This is the drama of a merger in anticipation of "a period of core business concentration." Why does Nippon Mining now feel compelled to restructure in order to specialize in oil to the point of abandoning the advantages of having the "two mainstays of metals and oil"?

The first announcement of the "Nippon Mining-Kyodo Oil merger" was that "Nippon Mining was launching a separate oil business."

Of course, despite the raison d'etre of this company as mining, this was not "unexpected." The mainstay of the company for more than eighty years, as it advertised in its "dual operations in metals and oil" and as manifested in the company name, has persistently been "metals."

Nonetheless, if we open the cover and take a look inside, the reality is exactly the reverse. What has been separated out is not the "oil" but the "metals." From May of next year the company's metals division will become a wholly owned subsidiary of Nippon Mining (stipulations are that it cannot be listed on the stock exchange for five years). Meanwhile, the company has decided to combine the oil refining division with Kyodo Oil's sales division and be reincarnated as "Nippon Mining-Kyodo," thus creating the second largest oil company in the industry.

Nippon Mining, which had emphasized the advantages of the dual mainstay operations of metals and oil, has of its own accord abandoned its raison d'etre and has settled on oil as its "core business." Indeed, it has shown the world its "concentration" on the core business by making a merger.

The Falsehood of "Dual Metals and Oil" Operations

That the "focus on oil" was the first merger announcement is in itself logical.

Companies in Japan's postwar nonferrous metals industry developed various survival strategies, with one of the watersheds occurring about 1960. This mainly took two forms. One was to cut off the original core business as in the "Nippon Mining model," advancing aggressively into the oil refining business, and the "Mitsubishi Mining model" of taking up cement, then a branch endeavor, as the core business. In the Nippon Mining model's earnings structure, the "nonferrous" division underwrote the oil business, which required huge amounts of capital because it is a facilities-intense industry.

Nonferrous metals are a troublesome commodity, which in the short term experiences severe price shifts and in the mid to long term almost no shifts at all. For example, in the more than 30 years since 1960, in contrast to the price of copper which has risen at an annual rate of just about 0.8 percent, oil has risen slightly more than 3 percent. This notwithstanding, for both copper and oil, the rate of price change compared to last year has been about 20 percent.

Japan's nonferrous metals companies, which have lost international competitiveness due to the sharply higher yen, have one after another closed domestic mines and have gone in search of paths to survival through "processing." They have made the utmost of concentrations to preserve operations despite shaky market conditions. Nippon Mining has been no exception. In underwriting "oil," which takes money and whose profit margins are low, they have only discovered the escape route from metals processing, which has gone down the drain.

The heart of processing is raw materials and electricity. But Nippon Mining found itself decisively defeated in this field. This becomes obvious at a glance if one looks which has brought down the oil division's profit ratio, was made a separate company and its red ink made to flow on the outside. Next it will be the metals division that will be separated out and made independent.

The operating base of Nippon Mining will be fully devoted to its keystone business. Notwithstanding its belonging to the metals division, the copper leaf that embodies the Gould Co. will remain with the oil specialist "Nippon-Kyodo." Given this, there are a number of options for restructuring the Gould Co. If we appreciate that the restructuring of the Gould Co. was the final impetus in a merger that was wanted from the first, solving the riddle of "Why now?" is easy.

At the press conference announcing the merger, Nippon Mining's president, Tatsuo Nakamura, said with enthusiasm, "The purpose of establishing an independent metals division is certainly not to shrink business. It is a launching pad for the future." But, there are those from within the company who say with resignation, "Getting to the launching pad even in five years...?" Compared to other companies in the same business, the size of its short- and long-term borrowing compared to overall assets is cause for concern.

Nippon-Kyodo is bent on locating the so-called pump that will generate earnings within the group. Whether or not that mission can be realized fully, it is time to restructure the group, including how to embody Kyodo Oil which has injected heterogeneous but disruptive elements and the future of the research and development division of the new company.

Regarding the restructuring of the Gould Co., the company is looking in the direction of separation and independence which will combine new technology with a division handling other than copper piping. Company president Mr. Nomura is adamant that "We will not sell." But, more than boldly separating out the "core business," the time is fast approaching when it will be necessary for the group as a whole to take a thorough look at this.

at the particulars of the sales ratios of the nonferrous metals refining companies. There is a wide gap between the sales ratios of the company's electricity, raw materials, and metal processing compared to the averages of its eight major competitors (source: the Energy Agency). "Because there is oil, we didn't have to be as fussy as other companies" (Osami Yamada, director of the accounting department). Ironically, because it had oil, advances in its nonferrous metals business fell behind. When this happened, the company took the precautionary measure of purchasing the U.S. electrical materials maker, Gould.

The strain began appearing in the "dual operations effect" which was to underwrite oil with the increased earnings from nonferrous metals processing. The 10 years of business results demonstrate the disadvantages of the "dual operations" arrangement more than the advantages. The oil division sales invariably made the company tops among the major nonferrous metals companies. But, the company, whose operating profits were left in the dust of Mitsubishi Materials and which carried a huge interest burden, ranked number three in ordinary profits.

The relative strength between metals and oil, once manifesting a sales ratio of 2.5 to 1, did an about face with the first oil shock. The ratio now is three for metals and seven for oil.

It is not just sales. Oil is also generating profits. In particular, following the Gulf war, there were a number of price wars with low prices that could not guarantee margins, which already showed an aptitude for shifting willy-nilly, or stability in cost linkages in the price of oil. As a result, the company shifted to a structure wherein oil supported metals in terms of profitability. In the quarter ending in March 1992, oil by itself produced more than 11 billion yen in profits in contrast to the more than one billion yen in red ink in ordinary profits of the metals division.

Although there seem to be oil reserves in the world as a whole, concentrated ores are scarce. "I suspect ores will hit bottom before oil" (executive of a leading nonferrous metals company). Such seems to be the view of the nonferrous metals business. "Nonferrous metals, which is like setting fire to one's fingernails, cannot be managed in parallel with the oil business," specialists say with cold detachment. Slow-moving Nippon Mining, which is in the process of seeking an escape route from nonferrous metals, already is well advertised as having "dual operations in metals and oil." The base of support for this has crumbled. Selecting out "metals" without selecting out "oil" has resulted in "a turnabout in the core business."

The Final Push

But, why are they now compelled to "concentrate their core business?" The mainstays are three. One is that the acquisition of the Kyodo Oil sales network which consists of just under 6,400 service stations, was a long cherished dream for Nippon Mining, which had only a refining division. "Nippon Mining, which has been aiming to become a superpower, for a long time had wanted to merge with Kyodo Oil but would also like to have under its umbrella Fuji Oil and Shijima Oil, which have financial connections with Kyodo Oil" (Masahiro Sekioka, Middle East Cooperative Center).

One can understand the explanation of Nippon Mining-Kyodo Oil in greeting the era of oil deregulation with their "aim to increase competitiveness through the integration of manufacturing and sales."

It seems accurate to conclude that the restructuring of the government's energy policy served as a powerful impetus. This is the second mainstay of the "concentration of the core business."

For Japan, which misconstrued the explosive drop in the price of oil in 1986 with supply stabilization, the Gulf war was a bath of ice water that yanked it back to reality.

To protect crude oil routes is fundamental to Japan's energy policy. Any instability in the operating base Nippon Mining holds jointly with Saudi Arabia, which boasts the world's largest oil reserves, would make MITI very anxious. "MITI was of assistance in the merger" (an Industrial Bank of Japan executive).

But, even in preparing the fertile soil for a merger, these two mainstays were inadequate for providing the final impetus. Here the third mainstay climbs on stage, which is to restructure the U.S. Gould Co.

"The purchase was not well handled. That is because an excess of baggage came along with it," says a Nippon Mining executive. It is not without reason that the company frequently regrets its purchase of the Gould Co. Compared to every major nonferrous metals company over successive reporting periods, one can understand Nippon Mining's lament. Nearly every company has experienced a continual growth in earnings, while the Nippon Mining group for 10 years has had a steady stream of red ink. A major reason of course is the Gould Co.'s earning slump (since 1989 the operating red ink has been $31 million, $44 million, and $108 million. The red ink expected in 1992 is $40-50 million dollars).

The money that has been poured into restructuring to this point, including capital expansion and interest-free loans, totals some $300 million. Furthermore, the need is seen for an additional $110 million and more. "Our experience of failure on the Copper Mountain development in Zaire (about a 50 billion yen investment) has certainly generated criticism," but the criticism does not seem to have shaken up the company at all, even though the capital required for restructuring is reaching quite a tidy sum.

The purchase of the Gould Co., which was an attempt to recover in one swoop from failures in the fields of processing, raw materials, and electricity, has been up to now like a ball and chain hampering the group's performance.

Until now, the company has been taking decisive action to separate out unprofitable divisions and make them independent in order to improve the profitability of Nippon Mining. Last year the petrochemical division,